

Internal Audit Manual for Local Authorities in Greece



NATIONAL TRANSPARENCY AUTHORITY

Table of Acronyms

GECAD	General Secretariat for the Fight against Corruption (By law 4622/8.8.2019 the responsibilities of the General Secretariat of the European Parliament and the Council are transferred to the National Transparency Authority (NTA)
EAD	National Transparency Authority
M.E.E.	Internal Audit Unit
O.E.Y.	Internal Service Statute
OECD	Organisation for Economic Co-operation and Development (OECD)
O.T.A.	Local Government Organisation
EF	Expertise France
IAA	International Institute of Internal Auditors
IAA Greece	Institute of Internal Auditors of Greece
CIA	Certified Internal Auditor
IPPF	International Professional Application Framework

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PART A

GENERAL PRINCIPLES OF INTERNAL CONTROL

A.1 Introduction

A.1.1 Purpose of the internal audit manual

This manual was created to support the creation of Internal Audit Units in Local Authorities and to support Internal Auditors in the performance of audit work and is addressed to:

- Auditors of Local Authorities
- External auditors of local authorities, so that each stakeholder has a common frame of reference
- External Partners, providers service providers internal audit of local authorities
- Elected officials and civil servants to promote a common culture

Its purpose is to provide general guidance to Local Authorities and internal auditors, who can and should use their professional judgement to adapt it to their particular circumstances and apply its principles to their own procedures, while maintaining the basic principles and the International Standards on Internal Auditing, to the extent that they are applicable to the public sector.

The manual is based on the legislation governing internal audit in Greece as well as on the International Professional Practice Framework (IPPF) for Internal Audit and incorporates the knowledge and experience gained during the previous implementation of internal audit practices in local government.

A.1.2 Background

This manual was prepared in the framework of the technical assistance programme provided by Expertise France (Agence Française d'Expertise Technique Internationale), in cooperation with the European Commission's Structural Reform Support Service (SRSS), to the Ministry of Administrative Reconstruction for the Administrative Reform in Greece and specifically in the framework of the actions of axis 3.1

"Strengthening Transparency and Accountability", with the General Secretariat for the Fight against Corruption (GEGKAD) as the beneficiary, whose responsibilities under Law No. 4622/8-8- 2019 is transferred to the National Transparency Authority (NTA).

The establishment and operation of Internal Audit Units in Local Authorities and the Decentralised Administration is a priority for the Greek Public Administration, as reflected in the revised National Strategic Plan for the Fight against Corruption 2018-2021, and specifically in objective 11.3: "Improvement of the internal control system (internal control system - system of internal safeguards) and strengthening of internal audit in the Central Administration and the Decentralised Administration". In order to achieve the above objective, the General Secretariat

for the fight against corruption has received technical support from Expertise France for the implementation of actions to strengthen internal control in local government. In particular, support was provided for the creation and operation of internal audit units in local authorities in two phases, the experimental and the pilot phase, as well as for the preparation of this manual on the operation and procedures of these units.

The first stage - the experimental stage - started in December 2017, with the participation of 5 entities (the municipalities of Athens, Thessaloniki, Piraeus and the Region and the Decentralised Administration of Attica) and was completed in November 2018, while the second stage - the pilot stage - in which 16 entities participated - started in December 2018.

The main objective of both the experimental and the pilot phase was to conduct, by each participating organisation, an audit on one of its internal procedures, in order to gain practical experience for the establishment and effective operation of an Internal Audit Unit.

At the same time, the institutions that participated in the two phases of the project, with the support of EF experts, the Working Group established by the General Secretariat of the General Secretariat of the Interior and the Ministry of Interior and with the participation of representatives of the Institute of Internal Auditors, undertook the preparation of the present manual.

A.1.3 Content of the manual

The manual is structured as follows:

- **Part A** where, after the introduction (Chapter 1), the legal and regulatory framework of internal control in Local Authorities is described (Chapter 2), the structural elements of an Internal Audit Unit and the work it performs (Chapter 3).
- **Part B** which includes the Practical Guide for the Implementation of Internal Audits, which describes the procedure for the preparation of the annual audit plan and the steps to be followed for the implementation of the audit work.

The Annexes of the manual include guidelines concerning the preparation of the Internal Service Organisation of the Public Administration of the Public Administration of the Republic of Cyprus regarding the operation of the Internal Audit Unit (IUU), the job description of the staff and the Internal Audit Unit's Operating Regulations. In addition, an example of a flow chart of a process is included.

The manual covers thematically:

- How to create an effective Internal Audit Unit.
- The methodology for planning controls based on risk assessment.
- How to implement an audit mission from start to finish.
- The process of establishing a Quality Assessment programme.

It also includes several templates, such as:

- Annual Questionnaire for senior management / managers
- Annual Audit Project Planning based on risk assessment
- Mandate to conduct an Internal Audit
- Internal Audit Notification Letter
- Meeting and Interview Forms
- Control Framework Sheet
- Risk sheet
- Interim and Final Audit Report.
- Transmittals of Audit Reports
- Minutes of the Audit Completion Meeting
- Action Plan and Monitoring of the implementation of the decisions taken (follow-up)
- Qualitative Evaluation Questionnaire

The Internal Audit Manual¹ should be read in conjunction with the corresponding Organisation for Economic Co-operation and Development (OECD) Audit Manual, the Technical Report on Internal Audit, the Mapping and Analysis of Deviations of the Greek Public Administration, the Basic Safety Net Audit Program already published and aligned with the International Professional Practice Framework (IPPF) of the International Institute of Internal Auditors (IIA)².

A.2 Local Authorities and the institutional framework for internal control

A.2.1 Local Government in Greece

With Law 3852/2010 on the "New Architecture of Local Government and Decentralized Administration" (Kallikrates Programme) and Law 4555/2018 (Cleisthenes Programme), as amended and in force, Greece has two degrees of Local Government: a) 332 municipalities and b) 13 Regions.

The ever-increasing transfer of responsibilities from the Central Government to the Local Authorities, the pressure of citizens to provide quality services, the need for the

¹ This manual and other references are available on the NAO website.

² The Institute of Internal Auditors is an international professional organization founded in 1941, with more than 190,000 members in over 190 countries. In Greece, the corresponding Institute of Internal Auditors of Greece has approximately 700 members and was founded in 1985.

² This manual and other references are available on the NAO website.

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services, shrinking state funding and the demand for full transparency in decision-making are putting constant pressure on local authorities to ensure sound financial management of available financial resources and to improve the services they provide. Internal audit, in line with international experience, can make an important contribution to achieving these objectives.

A.2.2 Institutional framework for the interior control in Local Authorities

The implementation of internal control in Local Authorities is governed by the provisions of:

- article 12 "Establishment of internal audit units" of Law No. 3492/2006 "Organization of the control system to ensure sound financial management of the State Budget and entities outside the State Budget and other provisions",
- of Art. 4270/2014 "Principles of financial management and supervision". According to Article 168 (3), the reports of the Internal Audit Units are immediately communicated to the Court of Auditors. Furthermore, according to paragraph 1, the General Accounting Office of the State supervises the Internal Audit Units of the Local Authorities,
- of Law 4622/2019 "Executive State: organization, operation and transparency of the Government, governmental bodies and central public administration", article 83 "Competences of the Authority - Scope of Application".

A.3 Internal Audit

A.3.1 Internal Audit Function - Fundamental concepts

A.3.1.1 What is an internal audit?

According to the definition of the Institute of Internal Auditors "*Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of an organization. It helps the organization achieve its objective goals by taking a systematic, professional approach to evaluating and improving the effectiveness of its risk management processes, internal control systems and corporate governance.*"

The audits carried out by the Internal Audit Unit can be categorized according to various criteria, such as their regular or extraordinary nature. Thus, regular audits are planned audits which are carried out on an annual (or semi-annual) schedule, while extraordinary audits are those which have to be carried out urgently for serious issues.

In addition, according to their object and purpose, they are divided into :

- Financial or Financial audits where assurance is provided on the accuracy and quality of the financial statements

- Compliance audits where compliance with the regulatory framework of the operator is examined
- Performance audits. A performance audit refers to an independent examination of a programme, function or management system to assess whether the use of available resources is being achieved economically, efficiently and effectively
- Follow up audits of the implementation of proposals/corrective actions

Documentation and evidence of controls

A very important aspect of the audit is to document the relevant work and conclusions in a clear, structured, and verifiable way. Thus, all choices, approaches, estimates, findings, conclusions and recommendations are adequately documented at all major audit steps (strategic, annual and per-audit planning, execution and reporting) during the audit process.

An important point in the audit is the collection of appropriate documentation. Audit evidence is the evidence collected mainly during the audit, in order to verify-document the audit findings in order to make appropriate recommendations for improvement.

Therefore, the evidence gathered during the audit must be sufficient (in quantity), relevant (to the questions asked by the auditor) and reliable (objective and valid). Particular attention should be paid to the completeness and quality of the evidence collected and assessed.

The nature, sources and type of evidence are dictated by the subject matter of the audit and the questions asked, which vary according to the type of audit.

A.3.1.2 International Standards

The International Professional Practices Framework (IPPF)³ is the theoretical framework of the formal guidance of the International Institute of Internal Auditors. The International Institute of Internal Auditors is among the 4 affiliate members of INTOSAI (International Organization of Supreme Audit Institutions), which is a global association of governmental entities that sets the International Standards for Supreme Audit Institutions.

The International Institute of Internal Auditors is a trusted professional guideline-setting organization that offers professional internal auditors guidance through the International Framework for Professional Practice, which includes mandatory and optional guidance. The updated International Framework for Professional Practice is effective from 1 January 2017. The purpose of the Standards is to

³ The International Framework for Professional Practice is an international good practice that is not provided for in Greek legislation.

guide the implementation of the mandatory elements of the International Framework for Professional Practice, provide a framework for the provision of a wide range of value-added internal control services, establish the basis for evaluating the effectiveness of those services and promote improved business processes and operations. In Greece, the Standards have been translated into Greek by the Institute of Internal Auditors of Greece. We note that there is a written provision in P.D. 142/2017 "Organization of the Ministry of Finance" that internal audit projects in functions and departments of the Ministry must comply with the Standards of the International Institute of Internal Auditors.

A.3.1.1.2.1 Sending Internal Audit

The mission of Internal Audit, according to the Institute of Internal Auditors, is "*To enhance and protect the value of the organization by providing objective and risk-based assurance, advice and information.*"

A.3.1.2.2.2. Mandatory Instructions

The mandatory elements of the International Framework for Professional Practice are:

- [The Basic Principles for the Professional Application of Internal Audit](#)
- [The Definition of Internal Audit](#)
- [The Code of Conduct](#)
- [The International Standards for the Professional Practice of Internal Auditing](#)

For an Internal Audit Unit to be considered effective, all of the following Key Principles must be applied. How an internal auditor, as well as an Internal Audit Unit, successfully applies the Fundamental Principles may vary from organization to organization, but failure to achieve any of the following principles could mean that the Internal Audit Unit was not as effective as it could have been in achieving its mission:

Basic Principles

- Demonstrates integrity
- Demonstrate competence and due professional diligence
- It is objective and free from undue influence (independent)
- Aligned with the strategies, objectives and risks of the organisation
- Demonstrates commitment to quality and continuous improvement
- Communicates effectively
- Provides assurance based on risk assessment
- It is insightful, proactive and future-focused
- Promotes the improvement of the organization
- The Internal Audit Unit has an appropriate position in the organisation chart and has sufficient resources

A.3.2 Creating an effective Internal Control Unit

A.3.2.1 The initial steps for the operation of an Internal Control Unit

The internal auditors of the newly established Internal Audit Units of Local Authorities can follow the following steps to start the internal audit function:

- Amendment of the organisation's Organisation to establish the Internal Audit Unit and give it the appropriate responsibilities in accordance with the organisation's legislative framework and the International Framework for Professional Practice
- Conducting information meetings with the Senior Management in order to explain the role of the Internal Audit Unit and to be informed about the major problems faced by the institution
- Establish channels of communication with external auditors, in particular on outstanding open recommendations and other serious issues of the organisation
- Create a list of all audit areas and mapping of the main processes of the organisation
- Preparation of the Internal Audit Unit's Operating Rules (see. Section 3.2.2)
- Drawing up the annual audit programme (see section 3.3.1)
- Establishment of a Quality Assessment and Improvement Programme for internal audit services (see section 3.3.4)

A.3.2.2 Operating Regulations of the Internal Control Unit

The Operating Regulations of the Internal Audit Unit describe and clarify the responsibilities assigned to it by the organisation's Organisation in order to perform its duties⁴.

Based on the International Standard for Professional Practice 1000: "The purpose, authority and responsibility of the Internal Audit Unit must be formally defined in a board-approved Internal Audit Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Framework for Professional Practice (the Fundamental Principles for the Professional Practice of Internal Auditing, Code of Ethics, Standards and Definition of Internal Audit). The Chief Internal Auditor should review the Internal Audit Charter on a regular basis and bring it to the attention of senior management and the board for approval."

⁴The Regulation is an international good practice and in Greece it is provided for Ministries and certain legal entities of the Public Sector.

The internal audit regulation should set out the following:

- The position of the Internal Audit Unit in the organisation and describe the scope and nature of its activities
- The right of access of auditors to all records, personnel and facilities of the organisation required to carry out audit and consultancy work
- The authority for the Head of the Internal Audit Unit to allocate resources, create programs, determine the scope of the audit work and set the objectives of each audit project, without undue interference from management
- The clear definition of reporting lines, giving the Head of Internal Audit full and unfettered access to the Senior Management
- The clear statement that the purpose of the Internal Audit Unit, as recognised in the relevant legislation, is to serve the Agency by assessing the effectiveness of its risk management processes, controls and governance procedures in accordance with the International Institute of Internal Auditors' definition of Internal Control, Standards and Code of Ethics. This also includes the collaboration of internal audit with other departments,, to achieve efficiency and effectiveness

The Internal Audit Capability's Rules of Procedure shall become an official document once approved by the competent body of the organisation.

Guidance for the preparation of the Regulation can be found in **Annex 3** to this document. Internal Audit Units may find this template a very good basis for creating their own Rules of Procedure.

A.3.2.2.3 Audit Committee

The Role of the Audit Committee

The establishment of an Audit Committee⁵, to which the Internal Audit Unit will report, is proposed to strengthen the independence of the Internal Audit Unit. The Audit Committee is responsible for:

- the independent assessment of the system of internal control mechanisms (internal control system) and the organisation's risk management
- the assessment of the Internal Audit Unit, including monitoring the independence of the unit

The establishment of Audit Committees in the Greek Local Government will contribute to the promotion of audit independence and will support the Local Government in ensuring the effectiveness of the internal audit function.

⁵The Audit Committee is a good international practice and in Greece it is provided for in the National Transparency Authority and in some Public Sector Legal Entities (Hospitals, Public Sector Enterprises, etc.).

These committees are composed of 3-5 members who are independent of the executive members of the organisation's management and/or independent persons from an external body and/or independent members of another body.

The Audit Committee, if any, approves the staffing, the annual risk-based audit programme, the budget of the Internal Audit Unit (as part of the overall budget of the Local Government Organisation and following the statutory procedures for approving the budget of the body) and cooperates with the external auditors on the findings identified and recommendations recorded by the external auditors.

If there is no Audit Committee, the Head of Internal Audit submits the Unit's budget to the Senior Management of the Local Government Organisation for approval.

Relationship with the Audit Committee or the Senior Management

The Head of the Internal Audit Unit should communicate and cooperate directly with the Audit Committee (or Senior Management if there is no Audit Committee). The Head of Internal Audit should typically report the most significant findings to the Audit Committee (or to senior management if there is no Audit Committee), together with the progress of management's actions to resolve them.

For particularly complex issues, the Head of the Unit in which the issue is located may participate in the discussion. In the absence of an Audit Committee, the Head of Internal Audit shall report to the Senior Management to which the Internal Audit Unit reports.

A.3.2.4 Fundamental Elements of Internal Control

Independence and objectivity

The Internal Audit Unit shall be independent and the internal auditors shall be objective in the performance of their duties.

In order to achieve the necessary degree of independence, the Head of Internal Audit must have direct and unimpeded access to the Senior Management and the Audit Committee (if any). This is achieved through a two-way relationship. Any threat to independence must be addressed at the level of the individual auditor, at the level of the audit assignment, at the functional and organisational level. Such threats to independence may be either a conflict of interest at any of the above levels or pressure from the management or elected officials of the entity.

Objectivity is the impartial behaviour and way of thinking that allows internal auditors to avoid being influenced by others and compromising the quality of their work. Threats to objectivity must be addressed at the internal auditor level individually, at the audit mission level, at the functional level and at the organizational level. Internal auditors should maintain

behave impartially and avoid any real or apparent conflict of interest.

A conflict of interest refers to a situation in which an internal auditor, who enjoys the confidence of the organisation, has a personal or professional interest that is contrary to the interests of the organisation. Conflicts of interest exist even if no unethical or improper acts are identified. A conflict of interest creates the appearance of impropriety, undermining confidence in the internal auditor. A conflict of interest could affect the internal auditor's ability to perform his/her work impartially.

Organisational independence

The Head of Internal Audit should report at a level of the organisation that allows the Internal Audit Unit to effectively exercise its responsibilities.

The Head of Internal Audit must confirm the independence of the Internal Audit Unit at least once a year to the Audit Committee and the Senior Management of the organisation.

Organizational independence is essentially achieved when Internal Audit reports functionally to the Audit Committee or Senior Management. Examples of functional reporting include the following:

- The approval of the Rules of Operation by the Higher Administration
- The approval of the programme of controls based on a risk assessment
- The approval of the budget (as part of the overall budget of the Local Government Organisation and following all the relevant legal procedures) and the allocation of resources for the operation of the Internal Audit function
- The reports of the Head of Internal Audit regarding the performance of the Internal Audit Unit, the implementation of the annual programme and other issues
- The decisions to appoint and remove the Head of the Internal Audit Unit
- The probing questions to the Head of Internal Audit regarding whether there are limitations in the scope of the audit work or insufficient resources

The Internal Audit Capability must not interfere with the definition of the scope of the audits, the execution of the audits and the communication of the results. The Head of Internal Audit should inform the Audit Committee (or any other competent management body exercising oversight) of any interference in his/her work and discuss the implications.

Job description, competencies and skills of internal auditors

An important step in the internal auditor selection process is the development of detailed job descriptions for each position in the Internal Audit Unit. This ensures clear roles and responsibilities within the Internal Audit Unit and assists in the professional performance of auditors' duties. **Annex 2** presents three main types of jobs: the Head of Internal Audit, the Auditor/Project Manager and the Auditor.

The Head of Internal Audit should have sufficient skills as well as the appropriate knowledge to perform his/her role. Certification in an audit subject such as CIA- Certified Internal Auditor or similar is desirable.

According to Standard 1210-Professional Competence: 'Internal auditors shall possess the knowledge, skills and other competencies required to perform their individual duties. The internal audit function shall collectively possess or acquire the knowledge, skills and other competencies required to fulfil its responsibilities.'

Also, the internal auditor should have sufficient knowledge to be able to assess the risk of fraud and how the organisation manages it, but is not expected to have the expertise of the person whose primary responsibility is to detect and investigate fraud.

Furthermore, it is proposed that the auditor possesses the core competencies described in the International Competency Framework for Internal Auditors. The competencies can be enhanced through appropriate training and development programmes, including on-the-job training.

Education and professional development

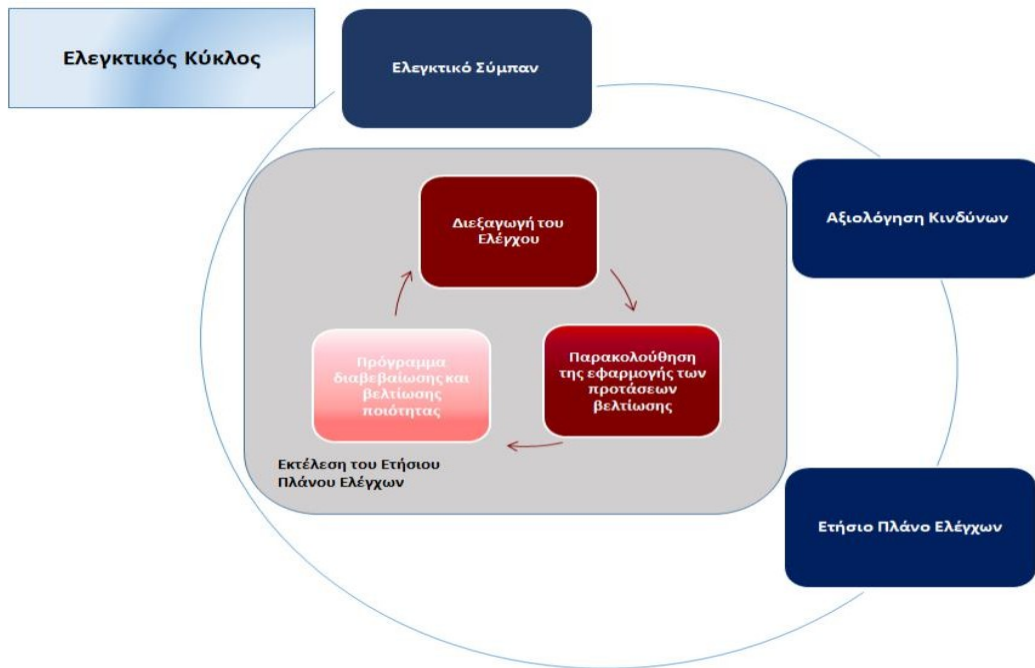
According to Standard 1230: Continuing Professional Development "Internal auditors should improve their knowledge, skills and other competencies through continuing professional development."

The Head of Internal Audit must support the continuous professional development of the staff of the Internal Audit Unit. Opportunities for training exist in Greek and International Universities.

A.3.3 Audit Cycle

It is important that the audit work is performed according to the following procedure in order to achieve the expected added value.

The audit programme should cover the main risks that the Local Authority typically faces, such as infrastructure, financial stability, health and safety, cyber security, cyber security, reputation, human resources, asset protection, finance, planning, environmental issues, governance, legal and regulatory framework, operations, etc.

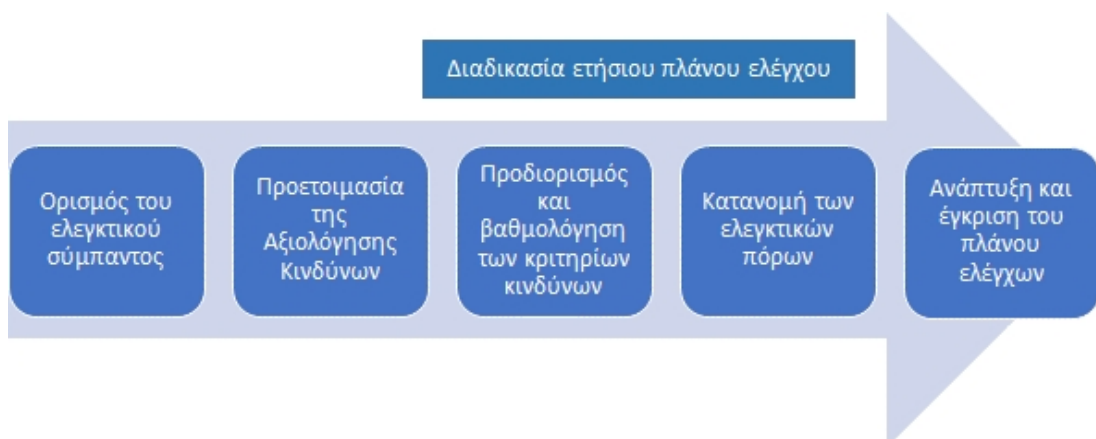


A.3.3.1 Annual planning of audits

Audit planning is one of the most critical tasks performed by the Internal Audit Unit.

To develop the annual audit plan based on a risk assessment, the Head of Internal Audit should follow the following steps:

- 1) Identification of the audit universe, i.e. the set of potential audits.
- 2) Preparation of the risk assessment.
- 3) Identification of risk criteria and scoring of risk criteria.
- 4) Allocation of audit resources.
- 5) Develop and approve the audit programme.



These steps should be carried out taking into account the existing operational risk assessment, Government and Senior Management objectives, strategy and expectations as well as potential internal or external risks. The risk analysis need not be complex and may include information gathering activities such as surveys, interviews or workshops.

1) Identification of the audit universe

The first step in any audit planning is to identify the audit universe that includes the set of areas to be audited, which can be categorized in many ways. The audit universe may be a list of all Departments, Units, etc. or procedures or combinations thereof.

Although there are some commonalities in the audit universe between different organisations, each organisation is unique. Commonalities may include typical administrative activities such as the following:

- Administrative framework
- Planning and accountability
- Assets and resource management
- Human resources management
- Safeguarding assets, information and people
- Information and information systems management
- Legal services
- Contacts
- Programmes and services deliverables

2) Preparation of the risk assessment

The risk assessment process takes into account how potential events may affect the achievement of the Local Government Organisation's objectives. The risk of occurrence of potential events is analysed in terms of Probability and Impact.

The main purpose of the risk assessment for Annual Audit Planning is to prioritise the areas to be audited (the audit universe) and to give attention to the significant risks. According to the 2010 Standard "The Head of Internal Audit should prepare a risk-based audit plan based on the risk assessment to identify the priorities of the Internal Audit Unit in line with the organisation's objectives". Part B presents the development of an Annual Audit Plan based on a risk assessment.

For the newly established Internal Audit Units, the internal auditors, during the first year of operation of the Unit, are required to inform the Senior Management and Senior Executives in critical positions about the key elements of risk (what is risk, why its identification and response is of primary importance, etc.), the importance of risk management for the operations of the organisation and the achievement of its strategic objectives. As part of the briefing, these managers should clarify what they expect from the internal audit function, to

understand the existing functions in use, assess the controls in their area of responsibility and identify the issues of high interest. The internal auditor gathers these views and testimonies in order to identify the highest risk areas and include them in the Annual Audit Planning. Part B of this document provides an indicative Annual Risk Assessment Questionnaire for Senior Management/Management to facilitate the Internal Auditors of Local Government Organisations.

After the briefing meetings, the Internal Auditors have to gather the latest data on the functioning of the organisation (especially the finances) and prepare the audit plan for the first year (or for the period up to 31/12).

In future years the internal audit team will be more experienced and better informed to establish a risk-based control programme, as described in Part B.

3) Definition of risk criteria and risk scoring

The main purpose of this step is to support the auditor to be able to document and explain the prioritisation of risks.

The Head of Internal Audit must understand the priorities related to the organization's formal objectives, mission and related reporting.

The Head of Internal Audit should also be aware of all weaknesses in the controls that have been identified. Finally, he/she should be aware of the changes in the operations of the Local Authorities, understand the government priorities and how the Local Authorities' objectives support them.

A full review of the work of the external auditors should also be carried out, including a comprehensive review of any past internal audit or investigative work carried out.

External environment risks, such as economic conditions, international relations, environmental issues and the priorities of the European Commission, must also be taken into account.

When assessing risks, the Head of Internal Audit should consider the relevant risks:

- Strategic risks are those that could affect the achievement of the objectives and specific initiatives of Local Authorities
- Operational risks are incidents that could impede the delivery of the Local Authorities' core services, activities, programmes or deliverables

- Financial risks relate to the ability to implement the Local Government Agency's activities within budget, possible constraints on the Agency's resources or financial reporting issues
- Risks related to compliance with the applicable legislation, regulatory framework or policy framework of the Local Government Organisation

Initial factors or criteria that could be taken into account in the risk assessment are:

- The complexity of the Agency
- The relative importance of the variables under consideration in the Agency
- The frequency of changes to the Agency as this may lead to instability
- The changes in staff
- Legal parameters related to the flexibility of the legal framework of Local Authorities; and
- Any possible negative publicity / damage to the reputation of the Agency

In order to develop the assessment of the severity of the risks, each risk must be considered in relation to the others. The figure below shows a relative approach to the issue. It involves considering the estimated impact of a risk in relation to the likelihood of it occurring. Risks can be mapped together to facilitate the distinction between high and low risks.

For the purposes of the Risk Assessment, we ~~introduce~~ introduce the following concepts of risk: Intrinsic and Residual Risk.

Intrinsic risk relates to the nature of the activity in question, in the absence of any control and is measured in terms of Impact and Probability.

ΕΠΙΠΤΩΣΗ: Ποια είναι η συνέπεια αυτού του κινδύνου στην ικανότητα του Οργανισμού Τοπικής Αυτοδιοίκησης να επιτύχει τους στόχους του;

Υψηλός κίνδυνος - Οι ελεγχόμενες οντότητες στην περιοχή υψηλού κινδύνου θέτουν σε σημαντικό κίνδυνο τους οργανωτικούς στόχους και την αποστολή

Χαμηλός κίνδυνος - Ο έλεγχος αυτών των οντοτήτων θα είχε μικρή προστιθέμενη αξία

ΕΠΙΠΤΩΣΗ	Ακραίο					
	Πολύ υψηλό					
	Μέσο					
	Χαμηλό					
	Αμελητέο					
		Σπάνιο	Απίθανο	Μέτριο	Πιθανό	Σχεδόν Βέβαιο
		ΠΙΘΑΝΟΤΗΤΑ				

ΠΙΘΑΝΟΤΗΤΑ: Είναι βέβαιο ή απίθανο ότι ο κίνδυνος θα πραγματοποιηθεί;

Indicatively, high degree Endogenous Risks may be associated with:

- Particularly complex functions
- High trading volumes
- High value transactions
- Cash management activities
- Excessive number of non-automated transactions by users, large number of persons involved in transactions e.g. The complexity of the system structure supporting a process
- Highly specialised areas e.g. where specific knowledge and skills are required
- Frequent changes due to internal or external factors
- Processes that require an important degree of critical thinking from the participants
- Pressure to achieve high targets
- Suspected losses due to errors or fraud
- Probability of significant contingent liabilities (not finalised)
- Evidence of related party transactions

Residual risk is the remaining risk after management has taken measures to reduce the Likelihood and/or Impact. Residual risk is also measured as the product of Impact over Probability and shall be less than or equal to Intrinsic risk.

For the development of the annual planning, it is recommended to focus on the Intrinsic Risk. As a result, the Part B risk assessment takes into account the Endogenous risks. For the purposes of the findings and recommendations (see Section

3.3.2 When collecting audit findings and developing recommendations for improvement) the auditor should focus on the Residual Risk.

4) Allocation of audit resources

Audits should then be prioritised according to the availability of resources, as there are rarely enough resources to cover everything. With this step, the list that is formulated constitutes the audit programme. If there are high or medium risk areas that have not been included in the planning due to lack of resources, this should be reported by the Head of Internal Audit when approving the audit programme.

5) Preparation and approval of the audit programme

Once the necessary information has been gathered and reviewed, the Head of Internal Audit develops a programme that usually includes :

- A list of proposed controls
- Any mandate from the High Administration (e.g. the Mayor, Heads of Departments, etc.) or mandatory audits due to the regulatory framework
- Provision of time for exceptional checks

The Audit Committee (if there is one) approves the annual audit programme (based on risk assessment) and the budget of the Internal Audit Unit (as part of the overall budget of the Local Government Organisation, following all legal procedures), otherwise the approval must be obtained by a decision of the Mayor or the Secretary General or the relevant competent body.

A.3.3.2 The procedure for carrying out audits

The process of conducting internal audits includes the following:

- 1) Preliminary phase
- 2) Design of the audit
- 3) Execution of control - Testing
- 4) Completion of the audit
- 5) Communicating the results and monitoring the implementation of the decisions taken.

The presentation of the most important points of the procedure follows, while Part B of the manual (Practical Guide to Internal Audit) provides a detailed examination of the individual audit steps that take place in all the successive phases of an audit.

A. Preliminary phase

Includes:

- Receipt of the instruction to carry out the audit
- Informing the departments that will be audited, by sending a letter from the M.E.E.

B. Design of the audit

Includes:

- Preliminary study
- Defining the objectives and scope of the audit
- Collection of audit evidence/preliminary investigation
- Organisation of the launch conference
- Identification of potential problem areas
- Preparation of the Audit Programme

Preliminary study

The audit activity begins with a preliminary study, through which the internal auditor obtains the information necessary to perform the audit. The auditor must:

- Define the objectives and scope of the audit
- Collect information/initial research
- Organise an initial meeting with the auditees
- Identify the potential Problem Areas
- Plan the actions of the audit mission

Defining the objectives and scope of the audit

Having completed the preliminary investigation, the internal auditor clearly sets out the objectives to be achieved at the end of the audit. These objectives, which ensure what the audit is attempting to achieve, should be clear and concise.

The scope of the audit must be sufficient to achieve its objectives. The scope of an audit is the determination of the extent of the activities and period of records to be audited.

Collection of audit evidence/preliminary investigation

This stage consists of gathering important information and acquiring knowledge about the following areas:

- Size and purposes of the controlled area
- The Mayor's strategic plan regarding the areas to be inspected
- Legislation, policies and procedures of the audited department
- Existing checks and balances
- Workflow diagrams
- Organisational and administrative structure
- Reports and worksheets from previous audits
- Reports of the external auditors or other audit bodies
- Diagrams
- Regulations of functions, tasks/qualifications

Organisation of the kick-off audit meeting

At this stage, the auditor should organise a meeting involving the audited Department's managers and the staff required. The following should be discussed and finally minutes should be prepared at the end of the meeting:

- Objectives, subject matter, scope and expected duration of the audit
- Staff to provide assistance to auditors
- Expectations of staff during the audit
- Expectations of the Mayor/Higher Administration from the Internal Audit Unit
- How to report audit findings
- Ways of two-way communication between the auditor and the auditees

Internal Auditors and Auditees are encouraged to meet periodically during the audit, and not only at the opening and closing meetings, to resolve problems and any issues that require immediate action.

Identification of potential problem areas

After completing the risk assessment, the Head of Internal Audit can identify potential problem areas related to the processes in the audited Department.

Some indications that point to the existence of risks are the following:

- Absence/ Lack of planning
- An organisational structure that does not ensure an appropriate allocation of responsibilities between persons and departments, which also violates the principle of separation of functions
- Insufficient allocation of responsibilities to achieve effective control over assets, liabilities, appropriations, payments and expenditure
- Written procedures that are intended to be formally implemented but appear to be ineffective or unclear and difficult to understand, or whose costs outweigh the benefits.
- Lack of coordination in cases where the subject matter of the department under audit or the subject of the audit is related to other departments or organisations
- Expenditure, receipts or appropriations of large amounts
- Existence of functions, procedures, programmes, projects and activities that have not been audited in the past
- Conflict of interest between personnel holding positions that may influence policies and activities or between Management and the aforementioned personnel
- Existence of transactions in amounts close to the approval or control limits
- Complex procedures, programmes and activities
- Absence/Lack of feedback mechanisms to inform the Heads of Activities on the actions of the Department
- Extraordinary activities and functions
- New departments and activities, as well as reorganisation projects
- Significant changes in organisation and human resources

Preparation of the Audit Programme

The audit programme describes what will be audited and consists of a series of audit steps intended to achieve the audit objectives in an effective manner. A focus on IT and fraud detection is essential. The selection of audit steps should be based on data collection/preliminary investigation (see below).

F. Execution of control-tests

Carrying out the audit includes the following (see also the Practical Guide, Part B):

- Audit tests - Tests
- Sampling
- Use of worksheets
- Audit findings and proposals for improvement

Audit tests

The audit tests - tests specified in the audit programme are performed at this stage. They consist of the examination of procedures, records and documents to reveal whether the controls are in place, functioning and not obsolete.

Audit tests should be written and supported by observations and research. The use of electronic data processing, which may affect the reliability, accuracy and usefulness of financial and statistical data and reports, should also be assessed. Tests and observations should be recorded on the worksheets.

Some suggested data examination techniques when implementing audit tests are :

- **Recalculation/application:** Performed through confirmation/ recalculation to confirm the expected result. By this test, the internal auditor forms an opinion on the reliability of the transactions performed by the auditees. The transactions are selected through systematic sampling.
- **Observation:** The internal auditor shall personally observe and obtain information on how transactions or activities are performed in the Department under review. An example of such a test is the observation of physical inventory.
- **Verification:** used to confirm the accuracy of information received from a particular source and compare it with the same or another source that is considered more reliable.

- **The Interview:** the auditor obtains information in person on how transactions or operations are carried out by meeting with the relevant auditee personnel. This method is the quickest way of gathering information relevant to the problems or serious risks faced by the auditee. However, the information collected must be confirmed by other sources.
- **The evaluation of published reports or studies:** This is the review of studies and reports relating to the department/process under review.
- **The Questionnaires:** They are a set of specific and understandable questions designed to determine conditions or attitudes towards a particular issue. A well-designed questionnaire (service evaluation/ satisfaction questionnaire/self-assessment questionnaire) provides useful information on issues such as efficiency and appropriateness of the process or service provided.
- **The Analytical Examination:** Involves the evaluation of information, based on the logical association of its constituent elements. The analytical examination consists of the investigation of predetermined variations and relationships, such as inconsistencies between data and significant deviations in calculated quantities. Particularly during the audit review and risk assessment stage, the internal auditor applies analytical examination techniques to understand the operating conditions of the auditee and external relationships.

The auditor selects the appropriate method based on the quantitative data of the audit work. However, he should also take into account the relevant costs when selecting the method. He should also try to discover new and more effective methods.

Sampling

When the auditor has defined the audit objectives for a project and the audit steps to be followed, the population has been defined.

The test population is the set of objects for which a conclusion will be drawn. It must also be appropriate and complete according to the objective of the audit.

The sampling unit (e.g. each object-part of the population) can be:

- An incident or transaction, in the case of attribute sampling used to test control networks
- Monetary value, in the case of sampling of variables used in substantive testing

Attribute sampling applies to binary yes/no or false/right cases. It allows internal auditors to test the effectiveness of control mechanisms.

Variable sampling is usually applied to monetary amounts.

Sampling can be statistical or non-statistical:

- Statistical Sampling involves the use of mathematical techniques through which inferences about the population are drawn (See IPPF Practice Advisory 2320-3: Audit Sampling and Sawyer's Internal Auditing for more details)
- Non-Statistical Sampling (judgmental-subjective), which may not produce statistically valid results because the selection of the sample is based on the experience, professional judgment and insight of the auditors. Thus, the sample is not objective and may not be representative of the population and therefore does not allow for extrapolation of conclusions to the population

When the auditor has chosen to apply a sampling technique to a given population, the sample size must be determined. Part of the sampling design is the methodology by which the sample will be selected.

- Select all units (100% when the population is small and the risk is high)
- Non-random selection (specific, based on risk assessment and auditor's judgment)
- Random selection (sampling, the larger the population the greater the risk, see the table below for an "inspiration" when using professional judgement)

PopulationSample size	
1	1
2-4	2
5-122-5	
13-525	,10, 15
53-25020	, 30, 40
>25025	, 45, 60

The above table provides the minimum sample sizes. Auditors may need to use their professional judgement to decide whether larger samples are needed to obtain sufficient and appropriate documentation for the operation of the safeguards. It is readily understood that the larger the sample size, the more secure the test conclusion.

In the case of variable sampling where amounts of money are involved, the auditor must include in the test the entire population above a certain amount (the materiality level). Below this amount, the sampling units shall be selected using statistical methods.

Worksheets

When planning the audit, the format and content of the worksheets are determined.

All tasks performed during the audit (e.g. preparation, risk and control assessments, tests, information, documentation and results, as well as reports and any follow-up activity e.g. implementation of corrective recommendations) are documented in the worksheets. The Worksheets help the auditor to conduct the audit and document his/her findings. The Worksheets are retained after the completion of the audit and are made available for use by third parties (e.g. external auditors) when necessary.

The internal auditor shall support the findings through appropriate tests and adequate documentation. Adequate documentation is determined by whether there is a logical relationship between the evidence, the audit objectives and the criteria used. With regard to the reliability of audit documentation, the following principles are generally accepted:

- Written evidence is more reliable than oral evidence
- Evidence obtained from independent sources is more reliable than evidence obtained from internal sources
- The evidence obtained by the auditor is more reliable than that provided by the auditees
- Original documents are more reliable than photocopies

If the evidence answers the most important questions concerning the objective and purposes of the audit, it can be considered sufficient.

If the same results are obtained when the tests are performed with the same evidence and by another auditor, then they are considered objective and sufficient.

Audit findings and proposals for improvement

All weaknesses identified during the performance of the audit should be included in the audit findings. The findings shall be a brief description of the problematic situation, with factual, relevant, unbiased, complete and unbiased audit evidence. The desired situation (the criterion against which the current situation was tested) should also be stated, as well as the difference between the expected and observed situation. Where possible, the risk should be quantified (in thousands of euros).

Thus, the components of a finding should be the following:

- Criterion (what should happen)
- Status (what's going on)
- Cause and root cause (justification of the dispute)
- Consequence (impact)
- Corrective actions/suggestions

The Internal Auditor's Suggestions for Improvement should:

- Be accurate and responsive to the reality of the problem to solve the problem
- Treat the cause, not just the symptom
- Submitted to those responsible for implementing the improvement proposal

The internal auditor classifies the findings detected during the audit taking into account their significance and records them in the findings section of the Report (Provisional and Final). He/she shall inform the auditees of the findings and recommendations by obtaining feedback.

Δ. Completion of the audit

Includes:

- Preparation and presentation of the Interim Audit Report
- Action plan

Preparation and presentation of the Interim Audit Report

The Head of Internal Audit prepares the interim report taking into account the findings discussed.

The Head of Internal Audit communicates the preliminary Report to the auditees with their response to any comments expected within a specified period. Sets a closing (completion) meeting for the audit.

Action plan

The auditor and the auditee discuss the findings and related recommendations at the closing (audit completion) meeting.

The auditees should present their corrective action plans and the timeframe for their completion. The action plans should resolve the findings and the times for implementing corrective actions should be reasonable. Finally, the conclusions of the meeting should be recorded in an Action Plan and/or associated minutes.

E. Communicating the results and monitoring the implementation of the decisions taken

Includes:

- Compilation of the Final Audit Report
- Communication of the Audit results
- Monitoring the implementation of the decisions taken

Compilation of the Final Audit Report and communication of the results

The internal auditor prepares and communicates the Final Audit Report, which includes the auditee's responses/comments. The Head of Internal Audit is responsible for communicating the Final Report to the appropriate parties.

Monitoring the implementation of the decisions taken (Follow up) The monitoring of the implementation of the recommendations is important as it evaluates and ensures that the audit recommendations and the corresponding corrective actions have been implemented, are working effectively and the corresponding weaknesses in the Internal Audit Network System have been corrected. In accordance with Standard 2500- Progress Monitoring: "The Head of Internal Audit should establish and maintain a system for monitoring the implementation of results communicated to management."

This standard encourages auditors to apply a consistent and structured approach to monitoring the implementation of corrective actions of findings.

Follow-up means any process by which the auditors determine the effectiveness and timeliness of management's actions in relation to the recommendations/action plans as presented in each Audit Report.

The implementation deadline defines the time limit within which the corrective actions must be completed. If the deadline is missed then the finding, recommendations/corrective actions become overdue.

The monitoring phase of the implementation of the improvement proposals involves two persons/roles:

- The internal auditor, who carried out the audit, identified weaknesses related to the Agency's operations and proposed corrective actions
- The management responsible for implementing the audit recommendations for improvement, for implementing the action plans and who is responsible for resolving the findings identified by the auditor

Monitoring the implementation of the improvement proposals involves two methods:

- Periodic confirmation per finding and corrective action or action plan as identified at the date of implementation
- On-the-spot audit confirmation of all the findings recorded in the Final Audit Report

After a reasonable period of time has elapsed, a re-examination is carried out to confirm whether, following the implementation of the action plan and the decisions taken, the intended results have been achieved and the risks considered have been reduced to the extent expected.

A.3.3.3 Quality Assurance and Improvement Programme

A quality assurance programme is designed to assess the compliance of the Internal Audit Unit with the Definition and Standards and whether internal auditors comply with the Code of Conduct. An improvement plan also allows for an assessment of the efficiency and effectiveness of the Unit and highlights areas for improvement. Through the assurance and improvement programme, management and the Audit Committees are informed of the status of the Internal Audit Unit's operations.

Therefore, this programme is the "control" of Internal Audit. It is similar in practice to an internal audit project, where the auditors have to see that the process performed takes place in compliance with regulations and quality criteria. This project is the review that assesses whether internal auditors are performing their work in accordance with the Standards and that their work is considered value-added. This programme includes Internal and External Reviews.⁶

Internal Evaluations

According to Standard 1311, internal evaluations should include "continuous monitoring of the performance of the Internal Audit Unit. Also periodic self-assessments or evaluations by individuals within the organization who have sufficient knowledge of internal control practices."

These self-assessments in practice serve internal control by evaluating:

- Compliance with the internal audit regulation and the mandatory parts of the International Framework for Professional Practice
- The quality and supervision of the audit work
- Internal Audit policies and procedures
- How internal audit adds value
- The achievement of Key Performance Indicators (e.g. the completion rate of the annual audit programme)

External Evaluations

Under Standard 1312 - External Evaluations: 'External evaluations shall be conducted at least once every five years by a certified, independent evaluator or evaluation team from outside the organization. The Chief Internal Auditor should discuss with the board the form and frequency of conducting external evaluations, the qualifications and independence of the external evaluator or

⁶ Internal and external evaluations are a good international practice that is not provided for in Greek legislation.

the evaluation team, including possible conflicts of interest'.

This external evaluation is undertaken by a certified external partner, outside the Internal Audit Unit, to independently assess the quality of its work. With the support of the IIA, a system of certification of the Internal Audit Capability can be implemented. External Evaluations may be carried out to confirm the quality of the work of the Internal Audit function.

Management of Feedback from Auditees

When the audit is completed, questionnaires can be sent to the auditees to evaluate the audit project in question. The questionnaires are distributed to the auditees and returned to the Internal Audit Unit in a closed envelope.

The questionnaires are analysed/evaluated by the management of the Internal Audit Unit in order to:

- Increase the efficiency and quality of the internal audit function
- Improve the professional competence of auditors
- Take the necessary measures on the basis of the comments received

A.3.3.4 Reporting of the Internal Audit Unit to the Audit Committee and the Senior Management

The Head of the Internal Audit Unit must report the activity of the Unit together with the results of the follow-up audit annually to the Audit Committee (if any) and to the Senior Management of the Local Government Organisation. This is outlined in the Internal Audit Unit's Operating Regulations.

PART B

PRACTICAL GUIDE TO CARRYING OUT
INTERNAL AUDITS IN LOCAL AUTHORITIES
AUTHORITY

B.1 Introduction

The purpose of the present document is to provide a practical guide for the conduct of internal audits by the internal auditor(s) of local authorities. It includes instructions and guidance on the steps to be taken by the audit team at each stage of the audit implementation, from the formulation of the annual audit plan to the last step of the internal audit process. For those steps where completion of forms and documents is required, then these are provided in the form of templates, accompanied by instructions for their completion.

This guide was mainly based on Expertise France's toolkit and adapted to the requirements and needs of Local Authorities in Greece, based on the experience gained and the feedback received from participants in the Experimental and Pilot Project for the implementation of internal control in local authorities. These programmes, with the General Secretariat for the Fight against Corruption (GSAGAD)⁷ as beneficiary, were implemented in the framework of the technical assistance programme received by Greece from the European Union and the Structural Reform Support Service (SRSS). Five bodies participated in the Experimental Programme and sixteen in the Pilot Programme.

This practical guide attempts to standardise the steps of internal audit, which can be adapted to the needs and specificities of each organisation and each audit, taking into account the available resources and time constraints in each case.

The templates provided are indicative, as the internal auditor selects or designs himself/herself - at his/her discretion - the forms that will assist him/her in carrying out the audit. However, it is recommended that the templates provided are used as they provide reliable guidance for the effective conduct of the internal audit, particularly in cases where the internal auditor or the Internal Audit Unit has little experience in conducting internal audits.

The Practical Guide to Internal Audit Implementation is structured in four chapters. The first contains an introductory briefing, the second describes the formulation of the annual internal audit plan, the third summarises the steps to be followed when carrying out audits and the fourth details the above steps and the forms used by the audit team.

⁷ By Law 4622/8-8-2019, the powers of the General Secretariat of the Greek Transparency Authority are transferred to the National Transparency Authority (NSA).

B.2 Formulation of Annual Planning Audits

This chapter presents the successive actions to be followed by the Head and the staff of the Internal Audit Unit (I.A.U.) of the Local Government Organisation (LGO), in order to draw up the Annual Internal Audit Planning based on the prioritisation resulting from the assessment of the risks that may divert the Organisation from the objectives it has set.

The term "Higher Administration" is often used to describe the Regional Governor, the Mayor, the Regional or Municipal Council.

B.2.1 Collection of information

In order to formulate the annual audit planning, the Head and the staff of the MEC will collect information from the members of the Senior Management and the managers of the OTA, who are asked to fill in an annual questionnaire on the strategy, objectives, risks and internal controls of the organisation and the Directorates.

B.2.1.1 Indicative list of potential risks in Local Authorities

Department	Danger
Financial Department	Financial statements containing misstatements
Technical Department	Damage to the equipment of the Municipality
Administrative Department	Delays in the replacement of posts
Administrative-Financial Department	Delays in the Budget
Department of Environment	Cleanliness problems in public spaces
Legal Department	Non-compliance with the Personal Data Protection Act data (GDPR)
Department of Informatics	IT data loss
Municipal Police	Illegal parking
Municipal Enterprises	Financial deficits

B.2.1.2 Indicative questionnaire for collecting information

On the following pages follows an indicative questionnaire aimed at gathering information from the Senior Management of the Agency and its managers. The Head of the PMU has the authority and responsibility for drafting the most appropriate questionnaire to meet the needs at any given time.

Annual Senior Management / Management Questionnaire

Date:

Location:

Participants:

The Risk Assessment by Senior Management and Executives is intended to link strategy and business objectives to risks. Objectives are the basis on which risks are identified and assessed.

Therefore, bearing in mind:

- The mission, vision, core values and strategy of the Agency
- The Risks arising from the strategy and the potential impact they may have during the implementation of the strategy
- Resource allocation and decisions on risk response
- The performance targets and acceptable deviations in performance (level of risk tolerance)

We would ask you:

- Define the main business objectives and performance targets in your area of responsibility
- For each purpose, describe the main operational risks that could potentially threaten the achievement of the Agency's strategy as well as the achievement of the Department's/organisation's operational objectives
- Assess their severity (exposure to the risk after measures have been taken to reduce the risk) by indicating your level of concern (X: Low, M: Medium, Y: High)
- Describe the existing as well as forthcoming measures/internal controls to address/manage the identified risks

1	Main Objective:	
	Main Business Risks	Level of concern (H/M/Y)
	Internal Control Networks for risk management	Existing/Future*
	-	-
	-	-
	-	-
	-	-

2	Main Objective:	
	Main Business Risks - - -	Level of concern (H/M/Y) - - -
	Internal Control Networks for risk management - - -	Existing/Future - - -
3	Main Objective:	
	Main Business Risks - - -	Level of concern (H/M/Y) - - -
	Internal Control Networks for risk management - - -	Existing/Future - - -

*Existing/Future: Please differentiate between internal controls that are operational now and those you plan to implement in the future.

Thank you for completing this assessment.

B.2.2 Risk Assessment

The two important criteria for assessing risks are the **likelihood** of their occurrence and, if they do occur, the **impact** they will have on the achievement of the organisation's objectives. The assessment and evaluation of each risk, based on the aforementioned criteria and taking into account the relevant information, results in its classification as: **High** or **Medium** or **Low**.

Examples of assessment/calibration of these two main dimensions are :

About Probability

5	Almost certain	More than 90% probability of the event taking place in the next 12 months
4	Very Likely	Between 75% and 90% chance of the event taking place in the next 12 months
3	Possible	Between 50% and 75% chance of the event taking place in the next 12 months
2	Awesome	Between 10% and 50% chance of the event taking place in the next 12 months
1	Very Unlikely	Less than 10% chance of the event taking place in the next 12 months

For the impact

- Cumulative impact greater than or equal to X% of the Local Authority's Total Expenditure (€XXXX) (Negligible-1: less than 10%, Low-2: between 10-50%, Moderate-3: between 50-75%, High-4: between 75-90%, Extreme-5: more than 90%)
- Deviation greater than X% from established performance criteria (Negligible-1: less than 1%, Low-2: between 1-3%, Moderate-3: between 3-7%, High-4: between 7-10%, Extreme-5: more than 10%)
- Negative publicity/damage to reputation with international/national/local audiences (Negligible-1: incidents with impact at local level, Low-2: incidents with impact at national level, Moderate-3: incidents with impact at international level, High-4: incidents with ongoing impact at national level, Extreme-5: incidents with ongoing impact at international level)
- Failure to comply with legislation leading to heavy fines and/or reputational damage (Negligible-1: non-compliance with legislation leading to minimal negative publicity, Low-2: non-compliance with legislation leading to negative publicity, Moderate-3: non-compliance with legislation leading to severe negative publicity, High-4: non-compliance with legislation leading to fines, Extreme-5: non-compliance with legislation leading to severe fines)
- Incorrect, lost or significantly delayed administrative information (Negligible-1: specific/individual case of incorrect, lost or significantly delayed administrative information, Low-2: minimum degree of incorrect, lost or significantly delayed administrative information)

information, Moderate-3: part of the management information is incorrect, lost or significantly delayed, High-4: management information is to some extent incorrect, lost or significantly delayed, Extreme-5: management information is incorrect, lost or significantly delayed)

- Critical activity failure including disruption of critical information system(s) resulting in severe disruption of activities beyond an acceptable threshold and/or loss of data/disclosure of confidential information (Negligible-1: critical activity failure including disruption of critical information system(s) resulting in minor disruption of activities beyond an acceptable threshold and/or loss of data/disclosure of confidential information, Low-2: Failure of critical activity including disruption of critical information system(s) resulting in less significant instances of disruption of activities beyond an acceptable threshold and/or loss of data/disclosure of confidential information; Moderate-3: Critical activity failure including disruption of critical information system(s) resulting in significant instances of disruption of activities beyond an acceptable threshold and/or loss of data/disclosure of confidential information; High-4: Critical activity failure including disruption of critical information system(s) resulting in very significant instances of disruption of activities beyond an acceptable threshold and/or loss of data/disclosure of confidential information; Extreme-5: a
- Erroneous data beyond the level of materiality for the entity (Negligible-1: error up to 10% of the level of materiality for the entity, Low-2: error between 10-15% of the level of materiality for the entity, Moderate-3: error between 50-85% of the level of materiality for the entity, High-4: error between 85-100% of the level of materiality for the entity, Extreme-5: error greater than the level of materiality for the entity)
- External audit findings (Negligible-1: insignificant external audit findings, Low-2: external audit findings, Moderate-3: less critical external audit findings, High-4: critical external audit findings, Extreme-5: extremely critical external audit findings)
- Actions against the Local Government Agency with estimated serious consequences (Negligible-1: actions against the Local Government Agency with insignificant consequences, Low-2: actions against the Local Government Agency with consequences, Moderate-3: Low-4: actions against the Local Government Agency with significant consequences, High-4: actions against the Local Government Agency with estimated serious consequences, Extreme-5: actions against the Local Government Agency with estimated very serious consequences)

B.2.3 Risk Register Development and Risk Mapping

Calculation for Risk Assessment (Risk = Probability x Impact)

Each Risk is assessed on the basis of the following matrix. If the calculation puts it in the Red area then it is High, if it is in the Yellow area it is Medium and if it is in the Green area it is Low. All assessed Risks are then ranked on the Risk Map, based on their degree of risk, starting with the Highest.

Risk Assessment Matrix

IMPACT	Extreme -5	5	10	15	20	25
	High -4	4	8	12	16	20
	Medium -3	3	6	9	12	15
	Low -2	2	4	6	8	10
	Negligible -1	1	2	3	4	5
		Very unlikely -1	Incredible-2	Possible -3	Very Likely- 4	Almost certain -5
	POSSIBILITY					

Risk Map

A/N	Department - Procedure	Danger	Probability(*)	Impact(*)	Risk	Mapping Risk
1	Department Environment	Unclean public spaces	3	5	15	High
2	Legal Department	Not compliance with the Law on data protection (GDPR)	3	5	15	High
3	Department IT	Loss data IT	2	4	8	Medium
4	Financial Department	Financial statements containing errors	1	4	4	Medium
5	Technical Department	Damage to the Equipment	1	4	4	Medium

A/N	Department - Procedure	Danger	Probability(*)	Impact(*)	Risk	Mapping Risk
6	Administrative-Financial Department	Delays in the Budget	2	2	4	Medium
7	Municipal Police	Illegal parking	1	3	3	Low
8	Municipal Business	Finance deficits	1	2	2	Low
9	Administrative Department	Delays in the competitions	1	2	2	Low

(*) Hypothetical data

B.2.4 Development of Annual Audit Planning

The annual audit planning shall be developed on the basis of the prioritisation of risks as derived from their mapping, taking into account the availability of man-days of the audit team. It shall include regular audits, follow-up audits and provision for exceptional audits. An indicative model of the annual audit planning and analysis of the man-days available is as follows:

Local Government Organisation
Internal Audit Unit

ANNUAL INTERNAL AUDIT PROGRAMME 20...

A/N	CONTROL CARRIED OUT	BREAKDOWN OF AUDIT ACTIVITIES IN TERMS OF MAN-DAYS OF WORK												OBSERVATIONS.	
		PER MONTH													
		1	2	3	4	5	6	7	8	9	10	11	12		
1															(α)
2															(α)
3															(α)
4															(α)
5															(α)
6															(α)
7	Monitoring checks (follow-up)														
8	Exceptional checks														
9	Briefing of the Audit and Management Committee.														
10	Conducting interviews to update next year's estimated risks														
11	Training Programming next year's internal audits														
12	Other audit work (Review of Internal Audit procedures, consulting work, etc.)														
Total man-days															

OBSERVATIONS

(a) Priority is given on the basis of the Risk Map. Account shall also be taken of any controls made mandatory by the legislative framework.

Date:

.....

The
Department
M.E.E.

Authorising Officer The Head of the

Comments:

1. The control areas mapped as High Risk and not mapped as High Risk are included in the annual programming due to lack of resources are reported either in the Observations or in a separate Annex for the attention of the Agency's management.
2. The Authorising Officer (the Mayor or the Head of the Region) approves the annual audit planning and the budget of the M.E.E. (as part of the budget of the local authority)

Local Government Organisation
Internal Audit Unit

Analysis of man-days available Annual Control Planning

Description	Man-days	Total
Staffing		
Calendar days		
Minus		
Holidays		
Total productive days		
Minus		
Licences Normal		
Educational Licences		
Licences Other		
Total available man-days		
Allocation of available man-days		
Planned audits (including audits required by legislation) frame)		
Monitoring and Verification Checks		
Exceptional checks		
Other N.E.E. work.		

The Head of the SNE.

B.3 Summary of Internal Audit Steps

The following is a summary of the main steps of an internal audit:

A. Preliminary Phase		
A/N	Energy / Form	Number Template
01	Internal Audit Mandate	1
02	Letter of notification of an internal audit; and sending it to the person responsible for the controlled process	2
B. Design phase		
A/N	Energy / Form	Number Template
03	List of documents to be requested from the competent bodies; and will be used during the audit	3
04	List of persons for exploratory meetings with: α. Political leadership and management hierarchy, in order to explore their expectations of the audit based on the organisation's strategy β. Employees involved in the process for the purpose of collecting information	4
05	Realization first exploratory meeting with the the head of the department responsible in order to gather basic information on the process under scrutiny; Meeting Form	5
06	Control Framework Sheet and send it to the person in charge of the controlled process	6
07	Conduct other fact-finding meetings with the persons named in the relevant list (Form 4) and record the results on the Meeting Form	5
08	Mapping of the process under control	7
09	Risk Sheets and Risk Summary Sheet (completion of the fields concerning the endogenous (initial) risk, the risk assessment, the possible causes, the internal control mechanisms, the a u d i t work programme, the overall audit work programme, the audit work programme, the risk assessment, the risk assessment and the risk summary sheet). activities)	8, 9
10	A meeting with the person responsible for the process under audit and the heads of the relevant department and directorate to confirm the assessment of the inherent risks and the existence of internal control mechanisms, and be informed about the conduct of the audit activities	-
C. Control Execution Phase		

A/N	Energy / Form	Number Template
11	Sample collection - Performing tests using combined tests audit methods	-
12	Risk Sheets and Risk Summary Sheet (filling in the fields which relevant the results of audit results activities, the residual - net risk, its causes and consequences)	8, 9
13	Meeting with the person in charge of the audited process and the Head(s) of the relevant department and directorate to confirm the results of the audits audit activities reported in the risk sheets	-
14	Carrying out additional checks to clarify any unconfirmed points arising from the above-mentioned meeting	-
15	Risk sheets - Completing recommendations	8,9

D. Audit Completion Phase		
A/N	Action/ Form	Model number
16	Preparation of an Interim Audit Report	10
17	Transmission of the Provisional Audit Report to the Head(s)/Supervisor(s) Heads of Department and Directorate of the controlled process	11
18	"Audit Completion" meeting with the Heads of Department and Directorate, in order to present the recommendations included in the Interim Audit Report. Drafting of the minutes of the meeting	12
19	A written reply from the Directorate in charge of the audited area on whether or not there are any comments on the content and in particular on the recommendations mentioned in the Interim Audit Report	-
20	An Action Plan, completed by the Director in charge of the controlled area, covering the actions to be made on the basis of the audit recommendations	13

E. Final Phase		
A/N	Action/ Form	Model number
21	Compilation of the Final Audit Report and its transmission	10
22	Final Meeting with the Mayor or the Regional Governor, General Manager or the Mayor of the Region -the Secretary or Director General, the Director(s) in charge of the audited control area and other relevant officials, as appropriate, for the purpose of presenting the Final Audit Report, approving the Action Plan and possibly taking further decisions	14
23	Qualitative Evaluation Questionnaire Qualitative Evaluation Control Questionnaire	15
24	Monitoring the implementation of the decisions taken and the Action Plan / Follow up	
25	Checking Confirmation of Results	

B.4 Detailed Presentation of the Steps of Conducting Internal Audits

The following is a detailed presentation of the main steps of the audit. In addition, relevant model forms and documents are provided, together with guidelines and instructions for completion.

A. Preliminary Phase

Step 1 - Template 1 : Internal Audit Mandate

Directions/Purpose of the document : The officers of the M.E.E. are subordinate, through their Head, to the Mayor or the Head of the Region from whom they receive the mandate to carry out the audit work. The mandate shall be drawn up under the responsibility of the MEC and, after being checked by the Delegate, shall be signed by the Delegate. It shall contain the main points concerning the audit, such as the scope of the audit, its purpose, scope and timetable for its implementation.

(Template 1)

Local Government Organisation

Internal Audit Unit Date:

Protocol

**Confidential
Number**

Subject: Internal Audit Mandate: "Title of the Internal Audit" The Mayor or District

Mayor of the Municipality or District

Considering:

1. (The relevant legal framework)
2. (Other relevant documents)
3. The need to carry out this audit Decides

1. The conduct of Internal Audit: "Title of the Internal Audit"
2. The objective(s) of this internal audit is/are.....
3. The scope of this check is
4. This internal audit will be carried out in the following departments:
5. The internal audit team will consist of the following members:
6. The proposed internal audit timetable is as follows:

Regional Director
Disclosure: The members of the Internal Audit Team

Step 2 - Template 2 : Internal audit notification letter

Direction/Purpose of document: The audit team should inform the relevant Director(s) and Head of Department(s) where the audit is to be carried out in good time and in a clear manner in order to make the necessary preparations by communicating the Audit Notification Letter.

(Model 2)

Local Government Organisation

Internal Audit Unit Date :

Internal Auditor:

Confidential

Phone :

No.

Protocol

To: address.....

Department

Subject: Internal audit notification letter

Please be advised that we have scheduled an internal audit of your department's.....process on [DATE]. Due to the nature of this audit, please prepare the required data to be used in conducting the audit. The following information is requested in order to understand the functions and activities of your department.

Please do not hesitate to provide us with any additional information or documents not included in the list below that you think may be useful in the conduct of the audit. If you have any questions or need clarification on the required information, please contact the auditor/auditor at

[Required data - Indicative for example purposes]

1. Departmental Organisation Chart
2. Relevant legislation and circulars
3. Relevant Municipal or Regional/Directorate or Departmental Procedures
4. Municipal - Regional Council report or other internal reports
5. Statistical data
6. Other data

The Control Officer

B. PLANNING PHASE OF THE AUDIT

Step 3 - Example 3: List of documents

Directions/Purpose of document: Includes documents requested/to be requested and required in the conduct of the internal audit. The list is dynamic and is supplemented as the need arises.

Examples of documents: legislation, Circulars, Internal Regulations concerning the procedure under review, job descriptions (if any), Municipal/Regional Council Decisions, statistics concerning the procedure (e.g. number of applications granted), documents concerning the size of the population (it is necessary to know the population in order to collect the sample).

Once the audit team has received the documents relating to the legislative and regulatory framework of the procedure under audit, it should study them. However, the existing legislative framework may not be clear and unambiguous, making it difficult to provide assurance as to regulatory compliance. In such a case, the audit team should work with the Agency's legal department, with the MLCAs of other LAs or ask clarifying questions to the relevant Public Service or Authority.

(Model 3)

LIST OF DOCUMENTS		
Document	Given by	Comments

Step 4 - Template 4 : List of persons for exploratory meetings

Directions/Purpose of document: Includes the persons with whom the audit team has met or will meet in order to gather useful information on the process under audit. The list is dynamic and will be completed as necessary. It may include the political leadership and the management hierarchy in order to explore their expectations of the audit based on the organisation's strategy, as well as officials involved in the process under audit in order to gather information.

(Model 4)

LIST OF PERSONS						
Last name	Name	Service	Location	Date of	Place	Comments

Step 5 - Template 5: Conduct a first exploratory meeting with the head of department and complete the Meeting Form

Directions/ Purpose of document: The auditor meets with the head of the department to gather basic information on the process under audit, which will help him/her to complete the forms mentioned above concerning the list of persons to be interviewed and the list of various documents required. He/she will also obtain information from this meeting which will be reflected in the Audit Framework Sheet for the next audit step.

(6). The auditor's questions and the answers given during the meeting should be recorded. The form below can be used to record them. A signature is not required unless the auditor(s) deems otherwise.

(Model 5)

MEETING FORM

Meeting person(s) :

Auditor(s) : Date and

time :

Purpose of the meeting

The meeting aims to

Documents to be requested	Documents provided
1.	1.
2.	2
3.	3
Questions	Answers
1.	
2.	
3.	
4.	
5.	
6.	
Additional remarks :	

Step 6 - Template 6 : Control Framework Sheet

Directions/Purpose of Document : The audit box sheet is a summary of the audit to be performed. It is signed by the Audit Manager and sent to the head of the department in which the audit is to be carried out in order to inform him/her precisely of the scope of the audit, the documents required, the timetable and the endogenous risks identified.

(Model 6)

CONTROL FRAMEWORK SHEET	
Control Supervisor:	Year:
Control Team:	Serial control number:
Title of the control mission (1)	
Description of the control environment (2)	
Objectives of the audit mission (3)	
Range of control mission (4)	
People to meet (5)	
Documents to be sent (6)	

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Timetable - Resources (7)
Commence control: Estimated date of dispatch of interim report: Resources:
Endogenous Risks (8)
- - -

The Auditors / Auditors Date:

Signature of Control Officer(s):

Date:

Completion instructions:

- (1)** Title of the control mission: As indicated in the mandate.
- (2)** Description of the control environment: Record what the process consists of, what the purpose of the process is, the existence of a legislative provision, the size or volume of work produced by the process over a certain period of time (month, year), etc.
- (3)** Objectives: What is the purpose of conducting the audit, e.g. reducing the cost of the process, speeding up the process, reducing bureaucracy, checking regulatory compliance, increasing revenue.
- (4)** Scope of the control mission: Indicates both the duration of the audit (e.g. years 2017-2019) and its scope, i.e. where the audit starts and ends. It may cover the whole of a process or exclude one or more parts. Particular care is needed to clearly indicate what the audit covers. In some cases it may also be possible to indicate what the audit does not cover.
- (5)** Faces to meet: Indicate the persons the control team will meet to collect information. The persons who will be contacted for the purpose of conducting the interviews are the persons who will be interviewed by the team to be interviewed.
"List of Persons" for exploratory meetings.
- (6)** Documents to be sent: Includes many of the documents listed in the "List of Documents".
- (7)** Timing and Resources: Indicate the estimated duration of time required to carry out the audit. The start date of the audit coincides with the date of the audit notification letter (model 2). The number of staff of the IEU to be employed in carrying out the audit (resources) is also indicated.
- (8)** Endogenous risks: Indicate the risks that are estimated to exist and are identified independently of the existence of internal controls. At the stage of the audit to follow, it will be determined whether they exist

real and whether they are limited by existing internal controls. Also, during the audit, additional risks may be identified that were not identified in this step, in which case the Framework Sheet shall be completed appropriately to keep it up to date.

Step 7 - Template 5: Conduct other exploratory meetings and complete the Meeting Form

Directions/Purpose of document: During the interviews, the respective Meeting Forms should be completed with the auditor's/examiner's questions and the responses of the individuals he/she meets. The form in Template 5 can be used to record them. The auditor(s) should meet both persons from the political leadership and the top management of the Agency and the officials involved in the audited process. He/she may also meet persons outside the Agency, such as users of the services provided, persons dealing with the Agency, etc. The signature of the form is not required unless the auditor(s) considers otherwise.

Types of questions

Two types of questions can be used, the combination of which usually gives the best results.

Open questions, which by their very nature allow the respondent to express his/her thoughts as he/she wishes (e.g. How could the process be made more efficient?). The other type concerns closed questions, which lead the respondent to answer extremely briefly, but without elaborating on his/her thoughts (e.g. Is the department's records kept electronically?).

Purpose of the meetings and indicative questions:

1. The purpose of the meeting with the Regional Governor or the Mayor, the Deputy Regional Governor, Deputy Mayor, General Secretary is:
 - α. Information about their expectations and what they expect from the audit, so that there is a common understanding of the audit.
 - β. Informing the internal auditor on the objectives of the local authority and especially in relation to the specific process (e.g. increase in revenues, digitisation of systems, better and faster service to the citizen). Knowledge of the target setting is important for the assessment of risks and the subsequent prioritisation of recommendations resulting from the audit process.

2. The purpose of the meetings with the officials involved in the audited process is:
 - α. For the auditor to understand the audited process and map it. Also collect information that will help him/her to assess the risks and

the internal control mechanisms. This will identify potential problems, gaps, deficiencies or overlaps, which it will check to see if they exist and then make appropriate recommendations to improve the process.

Indicative questions:

- Is there an approved procedure? And if so, is it known to officials and is it followed in practice?
- What is the flow of the process?
- Which departments and how many employees are involved in the procedure under scrutiny?
- Is there an information system supporting the process?
- How many applications are filed per year and how many of them are accepted/rejected?

β. Identify the risks. The audit will then be carried out to determine whether these risks actually exist, so that the necessary management and mitigation measures can be taken.

Indicative questions:

- What could happen to prevent the process from running smoothly?
- What could interrupt the process?
- What are the most common and what are the most important problems you face?
- Have there been any suspicious incidents, or incidents of fraud?

c. To inform the auditor of the internal controls in place to mitigate the reported risks. Later on and during the tests, the auditor will determine whether the internal controls are actually in place and to what extent they limit the risks (see also Instruction 9 of Template 10, Interim Audit Report).

Indicative questions:

- What are you doing to address this risk/problem?
- How is supervision exercised in the controlled process?
- Is there a separation of duties?
- Who signs and who approves? Is a double signature applied? Is the signature of documents a formality or does it relate to a substantive control exercised by those responsible?
- To Informative system has links that protects from errors/omissions/fraud?

3. The purpose of the meetings with persons from outside the local authorities is to cross-check data, record impressions of the services provided to citizens, etc. The questions vary according to the status of the respondent.

Comment:

It should be noted that the above questions are indicative and vary depending on the Agency, the type and scope of the audit, the specificity of the audit area and other factors. The individual auditor(s) is/are responsible for selecting the appropriate questions.

Step 8 - Template 7 : Mapping of the process under control

Guidance/Purpose of document: Mapping the process is important because it helps the internal auditor to understand the flow of the process, the internal controls that management has put in place to reduce risks and to identify gaps and overlaps. The mapping is derived from the documents and interviews obtained by the internal auditor. The mapping captures the entire audited process from start to finish. The process may or may not be already mapped and approved, in which case the auditor is required to map it for the needs of the audit work. The mapping may be developed descriptively in textual form, as in Example 7 below, or captured using symbols in a flowchart as shown in **Appendix 4** of the manual.

(Model 7)

PROCESS MAPPING
Controlled process:
Date:
<ul style="list-style-type: none"> • Initiation of procedure: • Course/Edit: • Completion of the procedure: <p style="text-align: center; margin: 10px 0;"><u>Audit Team Comments</u></p> <ul style="list-style-type: none"> • The procedure has (or has not) received approval from the Administration: • Other comments:

Step 9 - Template 8 : Risk Sheet (Planning Phase fields) and - Template 9 : Risk Summary Sheet

Directions/Purpose of document: This form assists the auditor in planning the verification audit. It is one of the most important Check Sheets used in this audit methodology. It is completed progressively throughout the audit phases and records important information that will feed into the Interim and Final Audit Report. The approach is a risk based approach. Risk is anything that prevents the achievement of the objective in relation to the process. A risk sheet is completed for each risk (model 8) initially identified (endogenous risk). After carrying out

of the audit the internal auditor(s) will conclude whether and to what extent these risks exist. Alternatively, if it is helpful to the auditor, he/she may progressively complete an aggregated Risk Sheet for all risks, as shown in model 9. In this detailed presentation of the audit steps, Template 8 is used, i.e. a separate Risk Sheet is completed for each Risk under consideration.

Also, during the audit, additional risks, controls or other elements that were not identified until this step may be identified, in which case the respective Risk Sheets or the Sheets of new risks identified are completed accordingly. In this sense, and in combination with its progressive completion based on the evolution of the audit, the Risk Sheet can be described as a 'dynamic' audit sheet.

In this step the fields related to the Design Phase are filled in. First, the risk is assessed and the potential consequences and possible causes of the risk are identified, as well as the internal controls that limit it. The audit methods to be used to check the causes of the risks and the effectiveness or otherwise of the internal controls shall then be determined. A grouping of the audit activities is made and the objectives of the audit activities, their dates and the estimated time of work are indicated.

(Model 8)

RISK SHEET	
Control A/N :	
Danger :	

Intrinsic Risk Assessment (1)	
Risk Impact	.....
Likelihood of the Risk occurring	.....
Overall Risk Assessment	.....

Possible Consequences of Risk

- 1.
- 2.
- 3.

Possible Causes of Risk

- 1.
- 2.
- 3.

Internal Control Networks (2)

- 1.
- 2.
- 3.

Conduct tests to assess the possible causes of the Risks (3)

1. Cause Control 1

Estimated work time:

Objective of the audit activities: **(4)**

Audit activities: **(5)**

Sample size: **(6)**

Sampling option : **(7)**

2. Cause Control 2

Estimated work time:

Objective of the audit activities:

Sample size:

3. Cause Control 3

Estimated work time:

Objective of the audit activities:

Sample size:

Conduct tests to assess the effectiveness of internal control mechanisms (8)

1. Internal control network control 1

Estimated working time:

Objective of the audit activities:

Sample size:

2. Internal control network control 2

Estimated work time:

Objective of the audit activities:

Sample size:

3. Internal control network control 3

Estimated work time:

Objective of the audit activities:

Sample size:

Grouping of Tests by Audit Activities	(9)
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1. Audit Activity: Auditors:
 Dates:
 Estimated work time:
 Objective of the audit activities: **(10)**
 Sample size:

2. Audit Activity: Auditors:
 Dates:
 Estimated work time:
 Objective of the audit activities: sample
 size:

3. Audit Activity: Auditors:
 Dates:
 Estimated work time:
 Objective of the audit activities: sample
 size:

Test Results / Findings
To be completed in next step

Residual (Net) Risk Assessment	
Risk Impact	
Likelihood of the Risk occurring	To be completed in next step
Overall Risk Assessment	
Consequences of Residual Risk	
To be completed in next step	

Causes of Residual Risk
To be completed in next step

Recommendations
To be completed in next step

Completion instructions:

(1) The assessment of the endogenous risk (before it is mitigated by existing controls) is carried out taking into account two criteria, the impact of the risk if it occurs and the likelihood of it occurring. It is classified into one of the levels: High, Medium, Low.

(2) Internal controls: Indicate the measures already taken by management to mitigate endogenous risks. Indicative examples are supervision and approval, segregation of duties, data matching-cross-checking, protection and restriction of physical access to data/information, establishment of policies and procedures, recording and documentation by keeping minutes or records, development and implementation of information systems, regular and ad hoc audits.

(3) At this point the control group needs to think about and answer the questions:

- What tests should it perform and what audit activities should it perform in order to obtain the information necessary to assess each Risk Cause individually?
- To what extent does each cause contribute to the occurrence of the relevant Hazard, its effects and the likelihood of its occurrence?

The audit team shall be aware that during the audit, and in particular during the performance of the tests, it may identify the existence of new Causes causing the relevant Hazard which were not identified in the Design Phase.

(4) The objective of audit activities is to examine and verify or not certain statements related to the cause, as mentioned above. For example, in a process related to the issuance of certificates at the request of a citizen, an inherent risk is the delay in issuing the certificate. A possible cause is insufficient information to the citizen. The objective of audit activities is to examine situations related to the cause. In this respect it could be examined whether the list of supporting documents is posted

required for the issuance of the certificate on the Municipality's website and the existence of a complete and comprehensible form with the list of supporting documents in the Municipality.

(5) Audit activities: Some of the following audit methods may be used as an indication, depending on the subject of the audit:

- α. Questions. Questions may be asked of employees and citizens who have received the relevant service from the municipality (opinion survey). It is important to take into account opinions from different sources, from officials with different roles, coming from different hierarchical levels, in order to get a better picture. Relevant correspondence (e.g. between departments) may be requested which may reflect a problem in the process under review
- β. Physical observation and on-site monitoring of the whole process (walkthrough)
- c. Detailed examination and analysis (e.g. of specific documents, policies, written procedures)
- δ. Sample download of envelopes/applications/invoices/invoices/receipts etc. e. Reproduction of actions (e.g. repetition of calculations)
- f. Data cross-checks (e.g. between operational data and accounting data)
- ζ. Simulation. Creating an event and monitoring its progress
- h. Accessing and controlling information systems

It is clarified that other audit activities may be applied depending on the scope of the audit.

(6) Sample size: for example, 50 files checked, 3 on-site visits for physical observation of the process.

(7) This point specifies how the sample required for the test is to be taken. There are two main types of sampling. Statistical sampling and discretionary sampling by internal auditors. The former is used to draw conclusions about populations and uses structured techniques and methods. The latter is based on the internal auditors' judgment and the sample is selected purposively.

Statistical sampling: There are three parameters that are taken into consideration for collecting the sample using statistical sampling. First, the size of the population from which the sample will be taken should be determined. Second, the confidence level, i.e. the required degree of reliability of the sample to reflect the total population, should be determined. It usually ranges between 90% and 99% (a 95% confidence level means that we can be 95% confident that the given sample size reflects the total population). Obviously, the higher the confidence level, the larger the sample size should be and the greater the certainty of the test result. Third, determine the margin of error, i.e. the potential percentage of difference between the calculated variance (e.g. the percentage of invoices that have not received the necessary approval) and the actual one. Tables are available on the internet to calculate the sample size based on the three elements above.

The following is an example of sample collection (case of control in the procedure of issuing a certificate of non-payment of Real Estate Tax - TAP)

- α. Calculate how many applications for the issuance of a certificate of non-payment of VAT are submitted to the Revenue Department each month
- β. We select 4 months (the month with the most applications, the month with the least, the month of holidays - August, a representative month)
- c. Calculate how many applications/files we will check for each of the 4 months, having set a confidence level of 90% and a margin of error of 10%:
 - If the number of applications is less than 15 we collect all applications
 - If the number of applications is between 15 and 150 then we collect 50%
 - If the number of applications is between 150 and 200 then we collect 30% of them
 - If the number of applications is more than 200 then we collect 25% of them d.

How do we select the applications/envelopes:

- d.1. Determine if there are different cases (populations): electrified properties, non-electrified properties and plots of land.
- δ2. We select requests/folders for each situation we have identified (we choose randomly but with some proportion between the different cases). This avoids the possibility of not sampling at all from a population in which there may be a risk and not in the other populations, which could lead the internal auditor to wrong conclusions.

(8) Testing to assess the existing internal controls should consider whether they are implemented and functioning as designed and whether they are effective or need to be redesigned. Often the existence of additional internal controls will arise during the audit, and the corresponding risk sheet will be completed accordingly.

(9) Grouping of Tests by Audit Activities

The preceding fields included the tests to be performed in order to evaluate each possible cause of the risks and the effectiveness of each internal control system. For each test it was determined which audit activity would take place and on which sample of the population.

However, most often the same audit activity (e.g. Physical Observation) is used to assess more than one of the causes of the risks or controls. For example, the auditor(s) is asked to perform a Physical Observation to assess Cause 1, Cause 3 and Control Cause 2. Thus, when examining each cause or fork individually, they will have to perform the same audit activity multiple times, on the same sample, but at different intervals (3 times in the example), resulting in wasted time. Thus the following necessity arises: the tests that had been identified for each cause and control bifurcation should be grouped by control activity. This need is met in this field. Thus the auditor(s) when performing a Physical Observation will know that he/she has to evaluate Causes 1 and 3 and Control Dipstick 2.

(10) Purposes: Indicate the Risk Causes and Control Networks assessed with each audit activity (e.g., Cause 1,3 and Control Network 2 assessment).

Risk Summary Sheet : Template 9

HAZARD SUMMARY SHEET																				
Serial Control Number:																				
Subject of the audit :																				
General control objectives	Environment of Risk				Severity of the Risk			Preparation of the audit work				Control work		Programming		Residual risk		Recommendations		
	Processes / Activities	Process/activity objectives	Kuδ. Ref. Risk Code	Risks	Typology of risk	Assumed impact (on a scale of 1 to 5)	Assumed frequency (on a scale of 1 to 5)	Assessment of the level of serious risk,	Specific control objectives	Possible causes of risk creation	Potential impact of the risk	Existing safeguards	Kuδ. Test Ref.	Control test	Resources, space and timing, as per the initial planning	Resources, space and time, in accordance with the updated version	Findings	Evaluation of the performance of internal control mechanisms (on a scale of 1 to 4)	Assessment of the identified residual risk	Recommendations	Degree of priority
			R1																	
			R2																	

Step 10 : Meeting with the Process Manager and supervisor(s) to plan the audit

Meeting with the person in charge of the process under audit and the Head of the Directorate and Department to confirm the assessment of the inherent risks, the possible causes and the existence of the internal control mechanisms recorded and to be informed of the audit activities to be carried out. In essence, the meeting concerns the internal control planning as described in the risk sheets (Step 9 - Template 8). The risk sheets are also presented at the meeting.

C. PHASE OF THE VERIFICATION

Step 11 : Taking a sample - Performing tests using combined tests audit methods

The sample selected from each population is taken and tests are performed through the selected control activities in order for the auditor(s) to verify that the risks and causes identified in the design phase are present. It shall also be checked whether and to what extent the internal controls, as described in the risk sheets in step 9, are effective.

See also instructions for completing 3,8,9 of Template 8 (Risk Sheet) in step 9, and instructions for completing 17 of Template 10 (Interim Audit Report) in step 16.

Step 12 - Template 8 : Completing the Risk Sheet (Control Execution Phase fields)

Guidance/Purpose of the document : The audit team shall record the results of the tests performed, assess the adequacy of the controls and then evaluate each residual (net) risk and its causes and consequences. In the Risk Sheet (Template 8) the following fields are filled in which were not filled in during the Design Phase (step 9).

Test Results / Findings (1)	

Residual (Net) Risk Assessment (2)	
Risk Impact	.....
Likelihood of the Risk occurring	.....
Overall Risk Assessment	.....

Consequences of Residual Risk (3)	

Causes of Residual Risk (4)	

Completion instructions:

(1) Test Results/Findings: In this field, the audit team shall record the positive or negative findings resulting from the audit activities (see also Instruction 17 of Template 10, Interim Audit Report).

(2) Residual (Net) Risk: This is the risk remaining after the implementation of internal controls. It is assessed, like intrinsic risk, against the criteria of impact and likelihood of occurrence and is classified into one of the levels: High, Medium, Low.

(3) Consequences of residual risk: What is the consequence of the occurrence of the risk, e.g. loss of revenue, discredit to the organisation, inconvenience to the public.

(4) Causes of residual risk: The actual causes of the residual risk as assessed after testing (may differ from the potential causes of the endogenous risk captured at the beginning of the Risk Sheet during the Design Phase).

Step 13 : Meeting with the person in charge of the audited process and the supervisor(s) on the results of the audit Control

Directions : The meeting with the person in charge of the process under control and the heads of Department and Directorate shall be held to confirm the results of the audit/findings reported in the risk sheets. The Risk Sheets (model 8), as completed up to this stage (steps 9 and 12), are also presented at the meeting. It should be noted that at the end of each phase, or even in between, the internal auditors meet the persons responsible for the process being audited in order to ensure continuous information, mutual consultation and cooperation, which makes the audit more effective.

In fact, following the communication between them (as at any stage of the audit), the person in charge of the audited process may realise the importance and necessity of certain improvements to the process, which he/she can implement immediately, i.e. before the audit is completed. The audit team shall assess whether and to what extent the improvement actions taken fully or partially meet the requirements of the audit work. Anything observed by the audit team is then recorded in the test results without any modification. The findings may include, in addition to the initial finding resulting from its findings, the improvement action taken by the responsible persons.

Further handling of the matter is at the discretion of the audit team. Firstly, it may not include a recommendation in the Audit Report (so it is not recorded in the Action Plan following the Report), but it should not neglect to check in the Decision Implementation Monitoring Audit (step 24) that the improvement/corrective action in question is actually implemented. It may, however, in the Report

include as a recommendation the need to make permanent the improvement action adopted by the responsible department during the audit. In this way the recommendation is also reflected in the Action Plan approved by the audit sponsor and followed up by the audit team at the follow-up audit stage (step 24).

Step 14 : Carry out additional checks if the results are not sufficiently confirmed

Directions: If the audit results are not confirmed and accepted at the above meeting (step 13), then additional checks and tests are carried out, at the discretion of the audit team, to clarify the unconfirmed points.

**Step 15 - Template 8 : Completing the Risk Sheet
(Recommendations field)**

Directions / Purpose of document: By recording the results of the audit, the true causes of risks and the weaknesses and deficiencies of internal controls become apparent. The audit team's recommendations come to cure the problems identified during the audit and improve the process. For each Cause of Risk and for each ineffective internal control system one or more recommendations can be proposed. A recommendation may also address one or more causes or internal controls. In the Risk Sheet (Template 8), the following field is completed which was not completed during the Planning and Execution Phases (in steps 9 and 12). For the characterisation of the recommendations, see Template 10, Interim Audit Report, Completion Instruction 21.

Recommendations

D. Audit Completion Phase

Step 16 - Template 10 : Drafting an Interim Audit Report

Directions / Purpose of document : By this step most of the audit has been implemented, where the necessary verification tests have been completed and conclusions have been drawn based on the test findings, internal controls, residual risks and their causes have been assessed. Appropriate recommendations were then developed to address the root causes in order to reduce the risks to acceptable levels. Most of the information has already been captured in the various forms (audit sheets) mentioned above in the successive Phases of the audit work, and in particular in the Risk Sheets.

At this step, the Interim Audit Report (model 10) is prepared, which reflects the audit work in full, while the data it contains are drawn from the audit sheets prepared since its inception.

The purpose is to send the Report to the persons in charge of the audited process and their supervisor, so that they have a full picture of the results of the audit work and especially of the findings and recommendations mentioned, in order to express any comments on them. Possible comments shall be sent to the audit team within a reasonable period of time, to be determined by the audit manager and indicated in the relevant transmittal document (model 11).

The Interim Report is a full report, but in some parts it is not required to be sufficiently detailed, since it is addressed to officials and managers who are familiar with the process under audit. Its structure and format are adapted to the needs of each organisation, the type of audit and the judgement of the audit team. In this Guide, the indicative Audit Report is in the form of a presentation slides, i.e. the format used in the Experimental and Pilot Program for the implementation of Internal Audit in LAs, as shown in Example 10. It may also take the form of a text (word processor), with a corresponding structure.

Model 10: Interim Audit Report

LOCAL GOVERNMENT AGENCY INTERNAL AUDIT
UNIT

Interim Audit Report

Subject of the audit:

Report No:
No:



Supervisor details	Head of Control	Control Group
AB Head of Control (Signature)	DG Internal Auditor (Signature)	AB DG (Signatures)



Interim Audit Report

1. Summary of the Interim Audit Report
2. Introduction
3. Controlled Activity - Control Methodology
4. Risk Based Audit Results
5. Annexes



Interim Audit Report

1. Summary of the Interim Audit Report

- ✓ **Mandate and Object of Control**
- ✓ **Conclusions**
- ✓ **Overview of findings**
- ✓ **Overview of Risks and Recommendations**
- ✓ **Internal Control Networks Environment Overview**

2. Introduction

3. Controlled Activity - Control Methodology

4. Risk Based Audit Results

5. Annexes



Summary of the Interim Audit Report

(1)

➤ **Control Command:**

➤ **Subject of the audit:**



Summary of the Interim Audit Report

➤ **Conclusions:** (2)



Summary of the Interim Audit Report

➤ **Overview of findings :** (3)

Summary of the Interim Audit Report

Overview of Risks and Recommendations

(4)

Basic	RiskLoss (Net) Risk	Recommendations
1.	High	As a priority
2.	Medium	Important
3.	Low	Towards improvement



Summary of the Interim Audit Report

Internal Control Networks Environment Overview

(5)

- **Approved Business Objectives:**
- **Approved Procedure:**
- **Organisation - Responsibilities:**
- **Risk Identification and Assessment:**
- **Existing Internal Control Networks:**
- **Risk Response Actions:**



Interim Audit Report

1. Summary of the Interim Audit Report
- 2. Introduction**
 - ✓ **Presentation of the Report**
 - ✓ **Objectives - Outline - Resources**
 - ✓ **Audit Implementation Schedule**
3. Controlled Activity - Control Methodology
4. Risk Based Audit Results
5. Annexes



Introduction

Presentation of the Report (6)

Assignment Order:

Recipients of Provisional Report:

recipients of Final Report: editors:

Control Supervisor:

Control Manager:

Audit team:

Subject of the audit:

Introduction

Objective - Outline - Resources

- **Objective :**

➤ The identification and assessment of risks in the process, as well as η address these with with a view to

- **Resources:**

- Supervision : AB Head of Internal Audit Department
- Composition of the Audit Team :
 - Project Manager: AB Head of Internal Audit Department
 - DG, Internal Auditor.
- Responsible official of the address audited: EZ, responsible

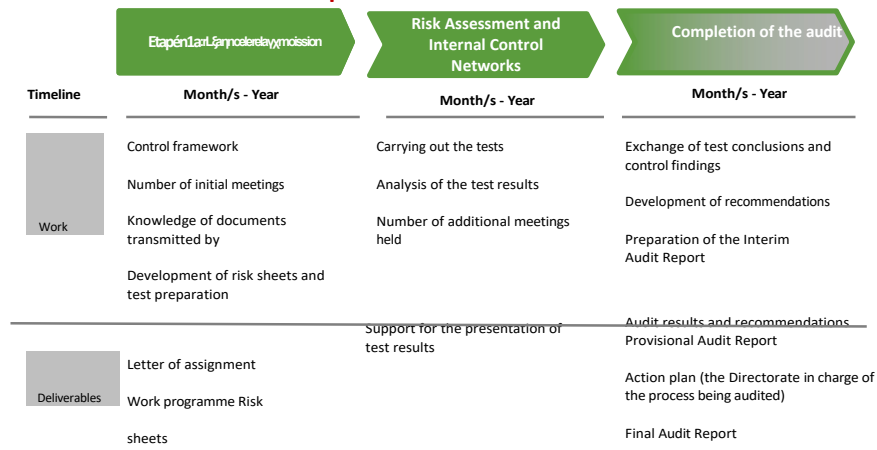
- **Outline :**

➤ **The outline - scope of the audit includes :**

(as described in the Control Framework Sheet)

➤ **The control outline does not include :**

Introduction Implementation timetable





Interim Audit Report

1. Summary of the Interim Audit Report
2. Introduction
- 3. Controlled Activity - Control Methodology**
 - ✓ **Description of Controlled Field**
 - ✓ **Potential Endogenous Risks**
 - ✓ **Internal Control Network Environment**
 - ✓ **Control methodology**
 - ✓ **Sampling**
4. Risk Based Audit Results
5. Annexes



Controlled Activity

Description of Controlled Field

(7)



Controlled Activity

Potential Endogenous Risks

(8)

1^o Risk:

2^o Risk:

3^o Risk:

.....

.....



Controlled Activity

Internal Control Networks Environment Overview

(9)

- **Approved Business Objectives:**
- **Approved Procedure:**
- **Organisation - Responsibilities:**
- **Risk Identification and Assessment:**
- **Existing Internal Control Networks:**
- **Risk Response Actions:**



Control methodology

Control methodology

(10)



Control methodology

Sampling

(11)



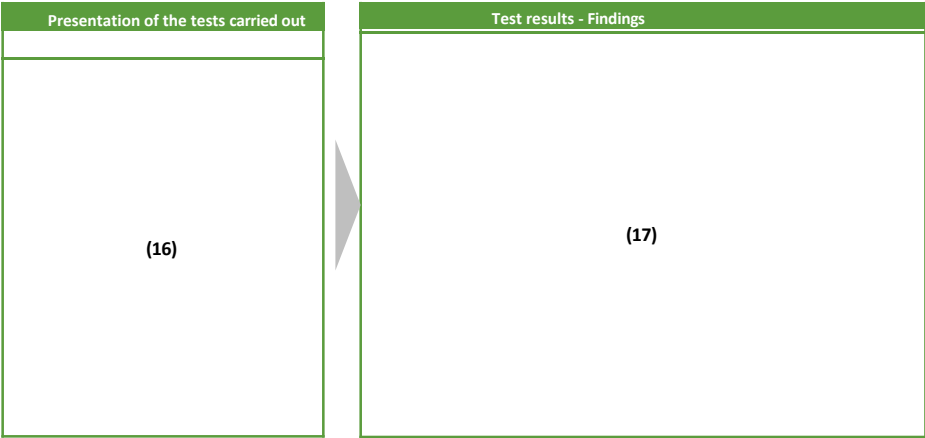
Interim Audit Report

1. Summary of the Interim Audit Report
2. Introduction
3. Controlled Activity - Control Methodology
- 4. Risk Based Audit Results**
 - ✓ **1st Risk: Assessment - Testing - Findings - Recommendations**
 - ✓ **2nd Risk: Evaluation - Testing - Findings - Recommendations**
 - ✓
 - ✓
 - ✓
5. Annexes

Audit results based on risks ^{1st} risk

Assessment of the Intrinsic (Initial) Risk: (12)			
<ul style="list-style-type: none"> • The risk consists of: (13) • Potential impacts of the risk are : 			
It concerns the assessment of risk before it is addressed by existing internal controls (14)	Estimated Impact (scale from 1 to 5)	Estimated Probability of Occurrence (scale from 1 to 5)	Overall Risk Assessment (High, Medium, Low)
Existing Internal Control Networks			
(15)			

Audit results based on risks ^{1st} risk



Audit results based on risks ^{1st} risk

Findings - Conclusions
(18)

Residual (net) Risk Assessment:			
It concerns the assessment of risk, taking into account its containment by existing internal controls, the effectiveness of which was assessed during the audit tests (19)	Estimated Impact (scale from 1 to 5)	Estimated Probability of Occurrence (scale from 1 to 5)	Overall Risk Assessment (High, Medium, Low)

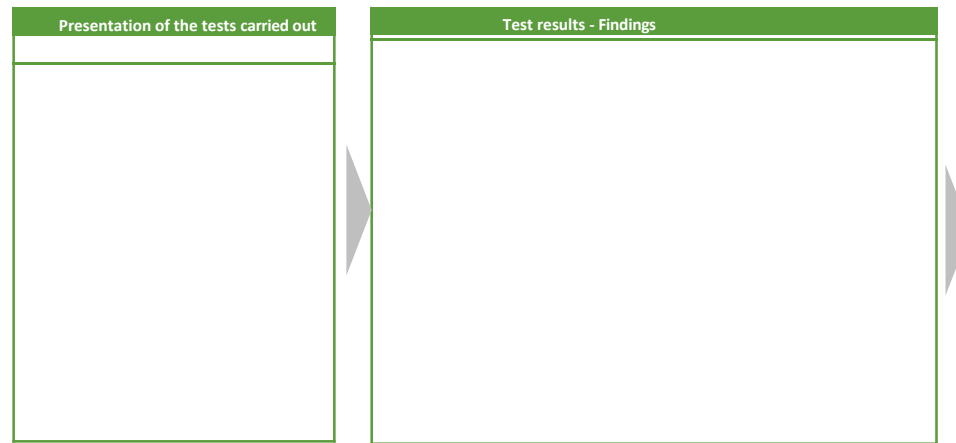
Audit results based on risks ^{1st} risk

Description of risk	Residual (Net) Risk		Recommendations		
	Analysis				
1.	Cause 1	(20)	High	(21)	As a priority
	Cause 2		High		As a priority
	.....		High		As a priority
	.....		Medium		Important

Risk Based Audit Results ^{2nd} Risk

Assessment of the Intrinsic (Initial) Risk:			
<ul style="list-style-type: none"> • The risk consists of: • Potential impacts of the risk are : 			
It concerns the assessment of risk before it is addressed by existing internal controls	Estimated Impact (scale from 1 to 5)	Estimated Probability of Occurrence (scale from 1 to 5)	Overall Risk Assessment (High, Medium, Low)
Existing Internal Control Networks			

Risk Based Audit Results ^{2nd} Risk



Risk Based Audit Results ^{2nd} Risk

Findings - Conclusions

Residual (net) Risk Assessment:			
It concerns the assessment of risk, taking into account its containment by existing internal controls, the effectiveness of which was assessed during the audit tests	Estimated Impact (scale from 1 to 5)	Estimated Probability of Occurrence (scale from 1 to 5)	Overall Risk Assessment (High, Medium, Low)

Risk Based Audit Results ^{2nd} Risk

Description of risk	Analysis	Residual (Net) Risk		Recommendations	
2.	Cause 1		High		As a priority
	Cause 2		Medium		Important
	.....		Medium		Important
	.....		Low		Towards improvement



Interim Audit Report

1. Summary of the Interim Audit Report
2. Introduction
3. Controlled Activity - Control Methodology
4. Risk Based Audit Results
5. Annexes (22)
 - Annex 1:
 - Annex 2:
 - Annex 3:
 - Annex 4:
 - Annex 5:

Author's details: DG
Internal Auditor

Details of the Validation Manager: AB
Head of Internal Audit

Completion instructions:

The Audit Report consists of the Executive Summary and the Analytical Report, which is structured in sections depending on the requirements of the audit and the judgment of the auditor(s) responsible. The Analytical Report is prepared first, followed by the Summary, the latter being a summary of the former.

All the information included in the Report is derived from the various documents and Audit Sheets referred to in this Guide, such as the Terms of Reference, the mapping of the audited process, the Framework Sheet and especially from the detailed Risk Sheets that are progressively completed at each stage of the audit development.

In this template, the Audit Report was chosen to be structured in 5 total sections, as follows:

1. Summary of the Interim Audit Report
2. Introduction
3. Controlled Activity - Control Methodology
4. Risk Based Audit Results
5. Annexes

More specifically, the indicative completion of the numbered fields of model 10 is as follows:

(1) The data are taken from the section "Presentation of the Report", slide 10 (D.10) of this model report. See also instruction (6).

(2) The general conclusions of the audit are stated, for example which Risks are fully or partially controlled and which are not. The Conclusions are drawn from all the "Findings - Conclusions" fields in the "Risk Based Audit Results" section, so as to include the general conclusions from all identified Risks, as described in Slides 22 and 26 (D. 22,26) of this report. See also instruction (18).

(3) The Audit Findings are summarized based on the findings described in all the "Findings - Conclusions" fields of the "Risk-Based Audit Results" section, so that the findings from all identified risks are included, as in slides 22 and 26 (D. 22,26) of this report. See also instruction (18).

(4) Residual risks are described based on their causes and the corresponding recommendations that address these causes. The data are taken from the corresponding fields in the section "Risk-based control results", D. 23,27. See also instructions (20), (21).

(5) An overview of the internal controls as described in the relevant field of the 'Controlled Activity' section, D. 16. See also instruction (9).

(6) The information is taken from the audit engagement letter (model 1 in this Guide). In addition, the recipients of the Final Audit Report are the Authorising Officer and other relevant managers of the Agency, while the recipients of the Interim Audit Report are usually the Heads of Department and Directorate of the audited process.

(7) The controlled field is described in order to understand its nature and the regime governing it. For example, a description of what the controlled activity concerns, the legal status, the provisions and decisions governing its operating regime. A description of the mapping of the procedure followed, whether it is approved by a competent body, etc. The information is drawn from the Audit Framework Sheet (model 6), the process mapping, meeting forms and documents collected and studied by the audit team.

(8) A simple description of the endogenous risks as identified in the initial phase and described in the Control Framework Sheet.

(9) The control environment shall describe whether there are approved objectives relating to the controlled process, whether the latter is captured and duly approved. Whether there is an organisation chart and whether responsibilities and tasks have been assigned to the staff involved. Whether the existing risks in the controlled process have been identified and assessed and whether staff are aware of these risks. The existing control mechanisms are identified and it is investigated whether actions are being developed by those directly involved and the supervisor(s) of the controlled area to address the risks.

The data are drawn from the documents collected (organisation chart, rules of procedure, delegation decisions), the meeting forms, the process mapping and the various fields of the Risk Sheets (model 8).

(10) The methodology of the audit is described, which is firstly based on an analytical examination of the risks and their causes in order to develop appropriate recommendations that will address the aforementioned causes and reduce the risks to acceptable levels.

Describe the testing activities chosen to perform the various tests (verification and cross-checking of data, recalculation, physical observation, simulation, etc.). The data are drawn from the Risk Sheets, specifically from the fields related to the Audit Activities.

(11) Indicate the sampling method and the population, if applicable (e.g. files, applications, invoices, etc.) from which the sample is taken. Indicate the number of samples taken from each population category aggregated for all risks (data extracted from the Risk Sheets, field "Grouping of Tests by Audit Activities"). The case-by-case populations and the corresponding samples may also be presented in the form of

table. The sample size for each identified risk individually is shown in the "Presentation of Tests" field in the "Risk Based Test Results" section.

(12) The title of the risk is given (as in the Risk Sheet).

(13) A more detailed description of the risk is given, as well as the possible consequences if it occurs (as in the Risk Sheet).

(14) An assessment of the endogenous - initial risk is made, based on the procedure described for risk assessment and mapping in this Guide. The components of the Estimated Impact and Probability of Occurrence result in an overall assessment of the risk and its classification into one of the levels: High, Moderate, Low (as in the Risk Sheet).

(15) Describe the controls in place and which will be evaluated during testing to determine whether and to what extent they reduce the endogenous risk (as in the Risk Sheet).

(16) The tests performed for each category of sample taken and the audit activities that took place where applicable are presented (as in the Risk Sheet, field "Grouping of Tests by Audit Activities").

(17) The tests verify what was planned in step 9 and has been captured for each Risk separately in the Risk Sheets and specifically in the fields that refer to: the execution of tests for the Risk Causes, the effectiveness of the Control Networks and the Grouping of Tests. During the tests it may be found that some of the possible original Risk Causes do not exist or the existence of additional Causes that were not identified in the Planning Phase may be found. A new Hazard may also be identified.

With regard to the tests to assess the internal controls, it should be considered whether they are implemented and functioning as designed, whether they are effective or whether they need to be redesigned. These tests will determine whether and to what extent the Original - Intrinsic Risk is reduced and whether ultimately the Residual - Net Risk is less than the Intrinsic Risk and how it can be further reduced. The need to design new control mechanisms can also be identified. (see also Instructions for completing Template 8, step 9).

In addition, the results of the tests to determine conformity with or deviation from prescribed standards shall be described. Such standards could for example be an approved process, a defined performance indicator, etc.

(18) The findings of the audit based on the test results shall be reported. The general conclusion drawn from the findings, such as whether the risk is fully or partially controlled or not controlled, is then stated.

(19) A residual - net risk assessment is carried out using the same procedure as for the endogenous risk in Directive 14, (as in the Risk Sheet).

(20) An analysis of the residual risk based on the causes (as in the Risk Sheet) and its assessment as described above is carried out. It should be noted here that the causes of the residual risk may be different from the possible causes of the endogenous-originating risk.

(21) Appropriate recommendations are formulated which address the causes of the risks, with the aim of reducing them to acceptable levels.

Recommendations are usually described as:

α. "Priority", when it addresses a cause from which a "High Risk" may arise. It states that this recommendation should be adopted in priority over others and that a corresponding Action Plan should be developed to reduce this risk to a tolerable level.

β. "Significant", when it addresses a cause from which a "Moderate Risk" may arise. Indicates that this recommendation should be adopted, but after the recommendations of the previous category.

c. "For Improvement", when it addresses a cause from which a "Low Risk" may result. Indicates that this recommendation should be adopted, but after the recommendations of the previous categories.

The aforementioned prioritisation is a valuable tool that helps Senior Management to prioritise existing risk management needs and to make the most rational and effective decisions for the allocation of the resources at its disposal. For this reason, the audit team must be particularly meticulous in characterising the recommendations.

(22) The Annexes include copies of documents deemed necessary for the information of the recipients such as legal texts, extracts of meetings, decisions. Also included may be the new mapping of the procedure (if it is found that the way it is actually implemented deviates from the approved procedure), comparative tables, statistics, copies of documents and anything else the audit team deems appropriate.

Step 17 - Template 11 : Transmission of the Interim Report

Directions / Purpose of document : The following is the transmission of the Interim Audit Report, with the purpose of informing the persons in charge of the audited process and the Head of the relevant Directorate and Department of the content of the Report, the setting of the "Audit Completion Meeting" between them and the audit team, as well as the sending of any comments regarding the Interim Audit Report, within a specified timeframe, as shown in detail in the following template.

(Model 11)

Local Government Organisation

Internal Audit Unit Date:

Control Officer:

Confidential

Telephone:

.....

No. Protocol

To:

Department

Subject: Transmission of the Interim Audit Report

Your Forward to the Provisional Report Audit which concerning
.....

Please arrange a meeting between the audit team and you to discuss the Report and the completion of the audit, the, at Office

In addition, please send any comments you may have byTo in case of no response, our service will consider that there are no comments on the content of the Report.

The person responsible

Control

Step 18 - Template 12 : Audit Completion Meeting

Guidelines / Purpose of the document : During the Audit Completion Meeting the audit team discusses with the person(s) responsible for the audited process and the Head of Directorate and Department the content of the Interim Audit Report with the purpose of understanding it and facilitating the submission of any comments. If there is agreement, the Action Plan (Step 20, Template 13) concerning the actions to be taken by those responsible for implementing the audit recommendations may also be discussed, which is then sent by the Head of the Directorate of the audited activity to the MEC.

At the end of the discussion, the minutes shall be drawn up and signed (model 12).

(Model 12)

Local Government Organisation
Internal Audit Unit

MINUTES OF THE AUDIT COMPLETION MEETING

Participants:
Control Group:
Date and time:

Theme of the Conference

The subject of the meeting is the discussion of the Interim Audit Report onand the completion of the relevant audit.

A/N	Control recommendations	Agreed actions and Date of application
1.		
2.		
3.		
Well :		

Signatures

Step 19 : Sending comments on the Interim Audit Report

Directions: After the audit completion meeting and the clarification of any issues, the Directorate in charge of the audited process sends its response to the PSC on the existence or otherwise of comments on the Interim Audit Report and in particular on the findings and recommendations described therein. The response must be consistent with the contents of the minutes signed at the end of the Completion of Audit Conference (step 18). The audit team evaluates any comments and takes final decisions in order to complete the audit.

Step 20 - Template 13 : Action Plan

Directions / Purpose of the document: The person responsible for the control sends the form of the Action Plan (model 13) to the Directorate in charge of the controlled area, in order to be returned by the Directorate within a specific timeframe, completed with the actions to be taken by those responsible and the timetable for the implementation of these actions, based on the recommendations of the control. The Action Plan shall receive final approval by the audit delegate.

If the implementation of the Action Plan requires the allocation of increased resources or specialised expertise or long-term commitments, then the relevant Directorate completes the required actions in it and the timetable is finalised and approved by the audit sponsor either at the Final Meeting (step 22) or afterwards, depending on the circumstances. The PMU will monitor this progress until final decisions are taken by the audit sponsor.

Action Plan: Template 13

ACTION PLAN - MONITORING OF IMPLEMENTATION									
Serial Control Number:									
Subject of the audit:									
Code Danger.	Description of Identified Risk	Recommendations	Address/ Service to which the recommendations relate (the person running the twin)	Actions proposed by the service	Responsible person, organisation, project or approach proposed by the auditee	Timetable	Estimated rate of progress according to the Directorate on	Estimated rate of progress according to the Directorate on	Possible observations by the Internal Auditor on the proposed action plan and project organisation
PRIORITY RECOMMENDATIONS									
K1								100%	
K2									
IMPORTANT RECOMMENDATIONS									
K3									
K4									
POINTS FOR IMPROVEMENT									
K5									
K6									

Completion instructions: The auditor shall pre-fill the columns of the Identified Risks and Recommendations. He/she then sends the form for the other columns to be completed by the Directorate in charge of the process being audited. The column 'Timetable' shall indicate the date of implementation of each action or individual actions. The columns 'Estimated rate of progress' refer to defined time points set for monitoring the rate of progress and implementation of each action.

E. Final Phase

Step 21 - Template 10 : Compilation and transmission of the final audit report

Guidelines/Purpose of document : After the Audit Finalisation Meeting and the evaluation of any comments sent by the Directorate in charge of the audited process, the audit team takes the final decisions and prepares the Final Audit Report, which has the same format and structure as the Interim Report (template 10 of step 16). In the Final Report some points are discussed in more detail than in the Interim Report and additional information is included, as well as any comments from the person(s) responsible for the audited process, in order to make it fully understandable to persons not familiar with the audited area.

The Final Audit Report is the culmination of the audit work, where this work is presented clearly and documented in the best possible way, in the opinion of the audit team, in order to facilitate the Management in making the necessary decisions for actions that will reduce the risks of the audited area to acceptable levels.

The Final Audit Report is addressed to the Senior Management of the organisation, but persons or bodies outside the organisation (e.g. external auditors, chartered accountants, etc.) may also receive information on its contents, even at a later date than the original submission, depending on the circumstances or the legal framework.

It shall be communicated to the Senior Management of the organisation, to the Head of the Directorate and Department of the process or area audited, as well as to other persons at the discretion of the Head of the PMO and the Authorising Officer of the audit. At the same time, the conduct of the Final Meeting with the Authorising Officer for the presentation of the Final Report is coordinated.

In case for any reason the Action Plan has not been prepared by the competent Directorate or has not been transmitted to the NEC by this step, then the Final Report is sent without it, with an additional recommendation concerning the sending of the pending Action Plan by the competent Directorate directly to the Originator and the communication of a copy to the NEC. This point is also indicated in the transmission of the Final Report, addressed to the Originator and communicated to the competent Directorate.

Completion instructions: The Final Audit Report shall be prepared in the same manner as the Interim Report (Template 10, attached) and the same completion instructions shall apply. However, the following should also be taken into account:

Because the Final Report may be addressed to persons or entities outside the organisation, the descriptions in it should be complete, clear, and understandable to persons who are not familiar with the organisation's operations. It shall be more detailed

a presentation of the process or control area being audited and any other items deemed necessary.

The Annexes to the Final Report usually contain more information than the Annexes to the Provisional Report. Firstly, any comments or differing views of the competent manager(s) of the audited activity on the Interim Audit Report (step 19), which were not accepted by the audit team, are included in one or more annexes. It is suggested that in this case the relevant Annex should include: a description of the point in the Interim Report on which there are comments or disagreements, then the comment or disagreement of the competent manager(s) as sent to the audit team should be reproduced verbatim, and then the audit team's reasoning for not accepting the above-mentioned comments or disagreements should be developed.

In addition, the Annexes may include, by way of example: the audit engagement letter, the list of persons who participated in the investigative meetings and interviews, the list of documents requested and received, the Action Plan of the competent Directorate or Directorates (if established) and other elements at the discretion of the audit team.

Step 22 - Template 14 : Final meeting with the Involver and decision making

Directions : After the transmission of the Report, the Final Meeting takes place, in which the Mayor or the Regional Mayor, the Secretary General, the Head of the M.E.E, the Director-General, the Director(s) in charge of the audited control area and the staff involved in any way in the audited process, for the purpose of the presentation of the Final Audit Report, the final approval of the Action Plan prepared on the basis of the audit recommendations and the possible further decisions to be taken by the Audit Client.

At the end of the meeting, minutes are drawn up, such as model 14, which include the decisions taken, the timetable and the persons responsible for implementing the decisions. The meeting may decide only on the final approval of the Action Plan if the sponsor considers that no further decisions are required.

If the implementation of the Action Plan or further decisions require the allocation of increased resources or specialised expertise or long-term commitments, then decisions are taken at the meeting to further explore the possibilities of the organisation (recorded in the minutes), with final approval of the Action Plan or other decisions being taken at a later time. In this case, the PMU follows this development until final decisions are taken by the Principal.

(Model 14)

Local Government Organisation

Internal Audit Unit

MINUTES OF THE FINAL AUDIT MEETING

Participants:

Control Group:

Date and time:

Subject of the Final Control Meeting

The subject of the meeting is the discussion of the Final Audit Report on :
..... , for final approval of the Action Plan and possible further
decisions by the Audit Client.

A/N	Control recommendations	Agreed actions - Responsible persons and Implementation Timetable
1.		
2.		
3.		
Well :		

Signatures

Step 23 - Template 15 : Qualitative Control Evaluation

Directions / Purpose of the document : The IAS is interested in receiving feedback from those directly involved and the supervisor(s) of the audited process on the contribution of internal audit to the improvement of the audited process and the more effective achievement of the objectives set.

The purpose of this feedback is to improve the quality of the audit by the Internal Audit Unit. In this context, a relevant questionnaire is sent to the stakeholders for completion and sending to the Internal Audit Unit, as illustrated in the following template.

(Model 15)

AUDIT QUALITY ASSESSMENT QUESTIONNAIRE						
The main purpose of this questionnaire is to collect your views on the quality and contribution to your department from the audit of the Unit Internal Audit, in order to improve the quality of our processes						
TITLE OF AUDIT						
.....						
The control procedure						
	I totally agree	I partially agree	I partly disagree	I totally disagree	I don't have viewpoint	Comments
1. The audit took place within the prescribed time limit time frame						
2. The risks that should be covered, Covered						
3. The purposes of the audit were discussed with the Staff						
4. The the timetable and practical details of the audit presented before its start						

5. Were you informed in time about the main findings identified during of the control						
6. Have you had the opportunity to discuss the findings with the control group						
7. Did the auditors prevent the flow of normal your work						
Audit report						
8. Discussed freely all the findings and suggestions of the control report						
9. All findings are clear						
10. Supported by evidence all the findings						
11. The recommendations are practical and realistic						
12. The structure of the audit report is logical and understandable						
Overall View						
13. The conclusions of the audit helped you to improve the your work						
Possible additional comments:						
.....						
Place/ Date:						
Name/Title/Signature:						

Step 24 : Follow up of the implementation of the decisions taken and the Action Plan / Follow up

Directions: This audit involves monitoring the implementation of the approved Action Plan and any further decisions that may have been taken, based on the agreed timetable indicated in either the Action Plan or the Final Meeting Minutes or both. This audit is targeted only at the points or actions implemented.

Step 25 : Checking Confirmation of Results

The Follow-up Monitoring of the implementation of decisions is usually carried out immediately after their implementation. However, by the time this audit is completed, the reasonable period of time for the operation of the controlled area under the new conditions resulting from the implementation of these decisions has not yet elapsed, and usually the necessary amount of data has not been generated to confirm whether the implementation of the decisions has produced the desired results and whether the identified risks have indeed been reduced to tolerable limits.

For this reason, after 1-18 months from the implementation of the decisions and the Action Plan, the Confirmation of Results Audit follows in order to determine whether the desired results have been achieved and whether the risks examined have been reduced to the extent expected. When this confirmation is obtained, then the whole audit process described in the previous steps becomes meaningful and the Internal Audit Capability has fulfilled its mission because it has contributed to improving operations and has added value to the organisation.

Annexes

Annex 1: Internal Service Charter Annex 2: Job
description

Annex 3: Internal Audit Unit Operating Regulations

Annex 4: Example of a Process Flowchart:
"Registration in the municipal register"

Annex 1. Internal Service Statute O.T.A.

According to the document-circular of the Ministry of Interior No. 44754/18, as an application of article 168 of Law 4270/2014, the first and second grade local authorities are required to set up Internal Audit Units (IAUs) through the preparation or amendment of the Internal Service Organization (ISO).

Instructions/Guidelines on the main points that the article on Internal Control in the SAI may include.

Internal Audit Unit (I.A.U.)

1. The Internal Audit Unit of the OTAs as an Independent Directorate or an Independent Department reports directly to the Mayor or to the Regional Governor (depending on the Organization) or to the Secretary General. It has access to all functions, records, property and staff of the Agency.
2. It is an Objective and Independent Service
3. The purpose of the recommendation is to add value to the organization by:
 - The provision of assurance services in an independent and objective manner
 - The improvement of the organization's operations aiming at more effective and efficient internal processes
 - Verifying compliance with laws, regulations and policies
 - The utilization and improvement of the effectiveness of governance, risk management and the Internal Audit Network System
 - Protecting the assets of the Municipality and increasing its revenues.
 - To support the implementation of the objectives set by the organisation
 - Improving the services provided to citizens, boosting their confidence and increasing their satisfaction with the services provided by local government.
 - The prevention of corruption and inefficient administration
4. Performs an Assurance and Advisory function
 - Carry out an objective assessment of the Agency's risk management, internal controls and governance. It shall assess whether the existing controls are adequate and properly implemented to mitigate or prevent risks relating to the process under audit
 - Provides advice to improve the risk management, controls and governance of the municipality
5. Duties of Internal Auditor(s):
 - Participates in the preparation of the annual internal audit plan based on a risk assessment

- Planning and carrying out process control
- Issue an audit report with recommendations
- Monitor the implementation of decisions taken on the basis of the recommendations

Annex 2. Description of Jobs

In this annex there are three brief examples of job descriptions:

The Head of the Internal Audit Unit (Independent Directorate or Department), the Internal Auditor - Audit Project Manager and the Internal Auditor.

A. The Head of the Internal Audit Unit (Independent Directorate or Department) is responsible for:

- Supervise the work, training and procedures of the M.E.E.
- To direct and approve audit planning and priorities
- Assess the effectiveness of the controls performed (based on risk assessment)
- To provide independent assurance on the adequacy and effectiveness of the risk management, control and governance processes in the Local Government Organisation
- To provide consultancy services to the Agency
- Provide proposed solutions on the findings to improve risk management, controls and governance processes
- Oversee the implementation of the International Professional Practice Framework for Internal Auditing (IPPF of the IIA)

Skills

The Head of the PSC should have the following skills:

- Examine, analyse, evaluate data and make decisions in an impartial and objective manner
- Demonstrate a critical spirit and analytical thinking
- Monitor legal and regulatory developments governing the audits it carries out
- Create conditions of trust and cooperation
- Communicate in a direct and effective manner
- To negotiate
- Have knowledge of a relevant scientific subject
- Have experience in implementing audits
- To manage and train the human resources of the M.E.U.
- Manage change

B. The Internal Auditor(s) - Audit Project Manager

He/she is responsible for :

- direct and implement the audit missions assigned to him/her
- Ensure the quality of the audit work
- Make use of appropriate audit methodologies
- Draw up the relevant reports
- Apply the International Professional Practice Framework for Internal Auditing (IPPF of the IIA)
- Develop the procedures of the M.E.E.
- Train the auditors in his team
- To monitor the operational issues of the M.E.U.

Skills

The Internal Auditor - Audit Project Manager should have the following skills:

- Examine, analyse, evaluate data and make decisions in an impartial and objective manner
- Demonstrate a critical spirit and analytical thinking
- Develop monitoring tools
- Create conditions of trust and cooperation
- Communicate in a direct and effective manner
- Have knowledge of a scientific subject relevant to the scope of the audits
- Manage audit projects
- direct and train the audit team

Γ. Internal Auditor(s)

Perform part of the audit work to support the audit team

Skills

The Internal Auditor should have the following skills:

- Understand the International Framework for the Professional Practice of Internal Auditing (IPPF)
- Be familiar with the concepts of Governance, Risk and Control Networks
- Possess critical thinking
- Have knowledge of a scientific subject relevant to the scope of the audits

Annex 3. Operating Regulations Internal Audit Unit

The Internal Audit Unit's Rules of Procedure may have the following proposed structure, taking into account the indications mentioned in the individual sections:

INTERNAL AUDIT UNIT OPERATING RULES

1. Purpose of the Internal Audit Unit

By definition, internal audit is an independent and objective function designed to add value to the organisation and improve its operations. Internal audit contributes to improving the Agency's operations and achieving specific objectives by using a systematic, structured approach to assess and deliver value in effective and efficient risk management, the system of internal controls and governance and oversight processes.

The term assurance refers to the auditors' professional judgement on their conclusions about the effectiveness of risk management, controls and governance. Therefore, the level of assurance is the level of confidence auditors have in their audit conclusions based on the reliability of the evidence they have gathered. International Internal Auditing Standard 1000.1 states that: *"The nature of the assurance services provided to the organization should be specified in the Internal Audit Charter"*.

2. Mission and scope of the Internal Audit Unit Mission

Add value to the organisation by:

- The provision of assurance services in an independent and objective manner
- The improvement of the organization's operations aiming at more effective and efficient internal processes
- Verifying compliance with laws, regulations and policies
- The utilisation and improvement of the effectiveness of governance, risk management and internal control systems
- Protecting the assets of the organisation and increasing its revenue.
- Helping to meet the objectives set by the organisation
- The improvement of the services provided to citizens, boosting their confidence and increasing their satisfaction with the services provided by local government
- The prevention of corruption and inefficient administration

Scope of application

The scope of internal control ensures that the risk management, controls and governance processes of local authorities, as designed, are adequate and achieve their objectives. The scope should ensure the following:

- Risks are adequately identified and managed
- There is sufficient interaction with the various governance structures
- Significant financial, management and operational information is accurate, reliable and timely
- Work is performed in compliance with policies, Standards, procedures and regulations/legislation
- The Resources acquired financially, used efficiently and adequately protected
- Programmes, plans and objectives are achieved
- Quality and continuous improvement are promoted in the processes of the Local Government Organisation
- Significant legal issues that would have an impact on the Local Government Organisation are identified in the Audit Report
- Where opportunities to improve the control networks are identified during audits, these are communicated to the appropriate management level

3. Accountability

The Head of the Internal Audit Unit (Independent Directorate or Department) is responsible and accountable to the highest administrative level of the Agency:

- To prepare a written report to the Mayor or Regional Governor, presenting the independence of the Audit, the adequacy, performance and results of the work in relation to the annual planning prepared by the Audit. The report should include details of the resources used and conclusions for any future improvements.
- To report on important issues relating to the control framework of the Local Government Agency, including improvements in procedures and related proposals.
- To provide periodic information on the status of progress in covering the annual audit plan and the adequacy of resources.
- To coordinate and oversee other assurance processes (risk management, assessments, regulatory compliance, safety, legal, ethics, environment and External Audit).
- For the submission of an annual progress report of the Unit to the competent institutions

4. Independence and objectivity

In order to ensure the independence of the Internal Audit Unit, its staff reports to the Head, who reports administratively to the Mayor or Regional Director. The Head will prepare a report on the staff of the Internal Audit Unit as part of his/her reports.

5. Liability

The Head of the PMU is responsible for developing a flexible annual planning based on a risk assessment methodology. The annual audit planning shall include:

- The risks or possible doubts about the control safeguards identified by management or the external auditors
- Annual audits related to reporting of financial statements and other very important controls
- Selected audits, thematic or horizontal, of local authorities

6. Jurisdiction

The Senior Management of the Local Government Organisation shall ensure that the Head and staff of the M.E.E. are authorised to :

- Have unrestricted access to all operations, records, property and personnel and have the right to retrieve information and explanations from employees and external partners, subject to applicable law
- Attend meetings or have full and free access to the High Administration.
- Allocate resources, determine frequencies, select objects and decide the scope of the audit and apply the techniques required to achieve the audit objectives
- Receive the necessary assistance from the staff of the Departments they audit, as well as from specialised services within or outside the organisation
- They have the authority to perform their duties, including informing the Mayor and the Secretary General

The Head and the staff of the M.E.E. are not authorised to:

- Perform any kind of operational tasks, including designing procedures or establishing controls to ensure that their impartial judgment is not affected in their work
- Enter or approve accounting entries outside the Internal Audit Unit
- Define the duties of employees outside the Internal Audit Unit, unless they are assigned to support the audit work

7. Standards of the Internal Audit Unit

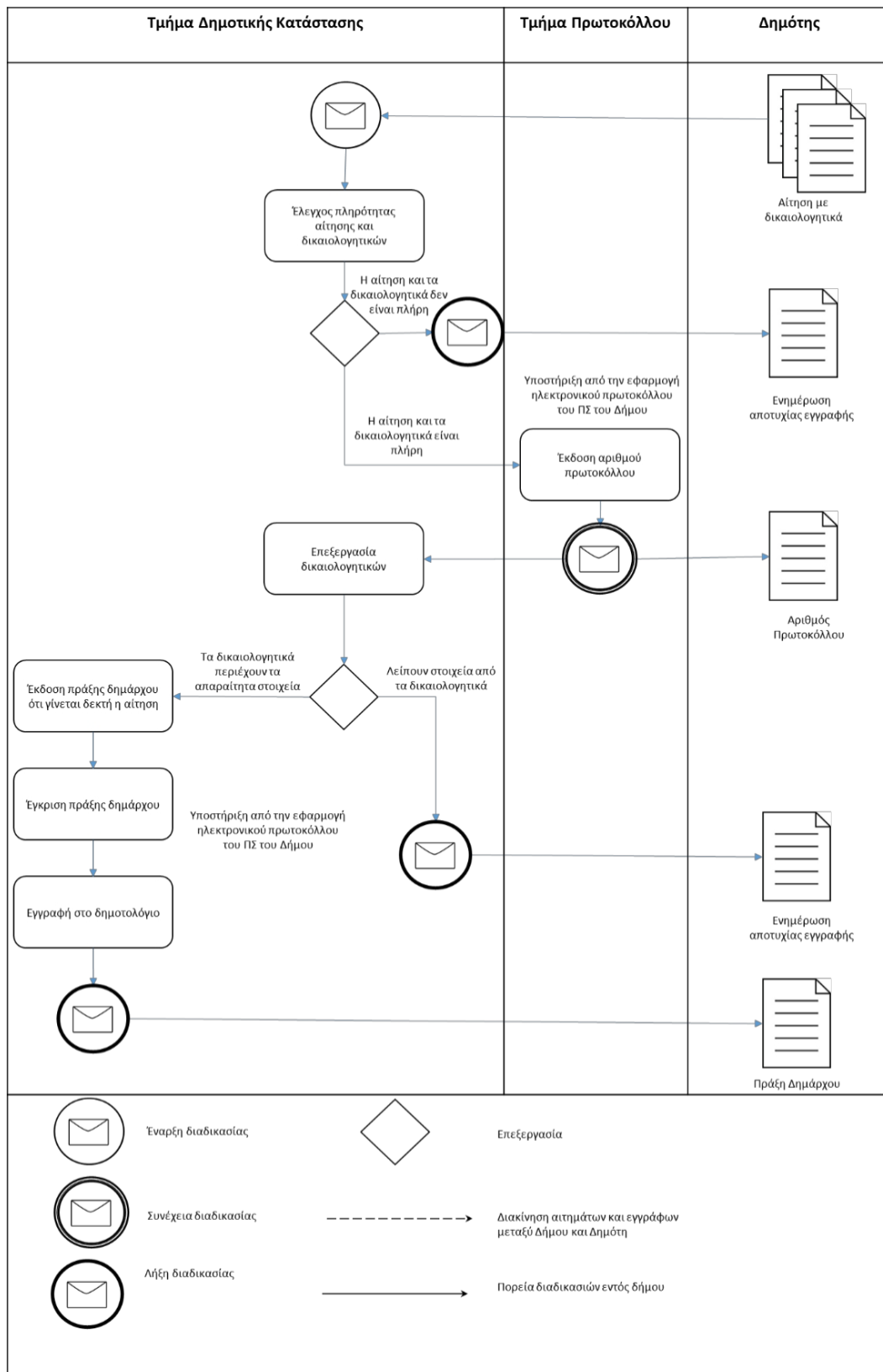
The Internal Audit Unit will apply and comply with the standards established in Greek legislation, the instructions and guidelines provided by the competent bodies (e.g. the National Transparency Authority) as well as the rules and principles derived from the International Framework for the Professional Practice of Internal Auditing (IPPF).

8. Training of staff of the Internal Audit Unit

The training of the auditors of the Internal Audit Unit should be continuous in order to acquire knowledge and skills. It should cover a variety of subjects such as auditing, risk management, governance, communication, management, financial and legal issues, etc. Professional training and development consists of continuous attendance at seminars, postgraduate programmes, conferences and other relevant events, as well as obtaining professional certifications. The professional knowledge of the Internal Audit Unit is collective and requires the acquisition of skills in numerous subjects. For this reason, the training of auditors is described as 'lifelong learning', which is encouraged and supported by the senior management of the Local Government Organisation.

Appendix 4. Example of a Process Flow Diagram:

“ Registration in the Municipal Register ”



Note: The example is hypothetical and the symbols are not binding

Glossary

The aim of this glossary is to provide a uniform interpretation of the key terms used in this manual and a practical guide to internal control in local authorities. The following terms refer to the "Guidelines on Standards for Internal Controls in the Public Sector" issued by the International Organization of Supreme Audit Institutions (INTOSAI).

Flowchart (Flowchart)

A diagrammatic representation of the Agency's documents and records, and the order in which they are processed.

Corruption (Corruption)

- Any form of unethical use of public power for personal or private gain. (XVI INCOSAI, Uruguay, 1998)
- H abuse of assigned authority on private benefit. (Transparency International)

Audit Committee (Audit Committee)

A committee of the board whose role is generally focused on financial reporting and monitoring the entity's processes for managing business and financial risks and compliance with significant applicable legal, ethical and regulatory requirements.

Risk assessment (Risk assessment)

Risk assessment is the process of identifying and analysing the risks relevant to the achievement of an organisation's objectives and determining the appropriate way to address them.

Inherent risk (Inherent risk)

The risk that an entity is exposed to without regard to management's actions to change either the probability of the risk occurring or its impact.

External audit (External audit)

An audit carried out by a body which is neither subordinate to nor dependent on the auditee, in order to express an opinion and report on the accounts and financial statements, the regularity and legality of operations and/or the financial management.

Internal audit (Internal audit)

An independent, objective activity that provides assurance and advice to add value and improve the organisation's operations. It helps an organisation to achieve its objectives by providing a systematic and disciplined

an approach to assess and improve the effectiveness of risk management, risk management, risk nets and governance (RGC) processes.

Internal controls (Internal control)

Internal controls are an integrated process, carried out by an entity's management and staff, designed to address risks and provide reasonable assurance that the following general objectives are achieved in order to achieve the organisation's mission: to perform orderly, ethical, financial, efficient and effective operations; to fulfil accountability obligations; to comply with applicable laws and regulations; and to safeguard resources against loss, misuse, mismanagement, and abuse; and to ensure the integrity of the organisation's operations.

Reasonable assurance (Reasonable assurance)

- Equivalent to a satisfactory level of confidence taking into account the costs, benefits and risks
- The idea that internal controls, no matter how well designed and functional, cannot guarantee that an entity's objectives will be achieved. This is because of the inherent limitations inherent in all internal systems (COSO 1992)

Institute of Internal Auditors (IIA)

The IIA is an organisation that sets standards of audit and practice, provides training and encourages professionalism among its members.

Risk (Risk)

The probability that an event will occur and negatively affect the achievement of objectives. (COSO ERM)

Control Environment (Control Environment)

The risk environment sets the tone of an organisation, since it influences the awareness of its staff regarding risk. It is the foundation for all other components of the internal networks, providing discipline and structure.

Compliance

- Compliance with the laws and regulations applicable to an entity. (COSO 1992)
- Compliance and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements (IIA)

Residual risk (Residual risk)

The risk that remains after management has responded to the risk.

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